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Everything goes wrong for Felipé González
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Europe's cold war
The ice cream battles of Unilever and Mars
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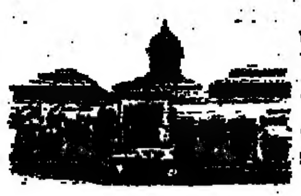

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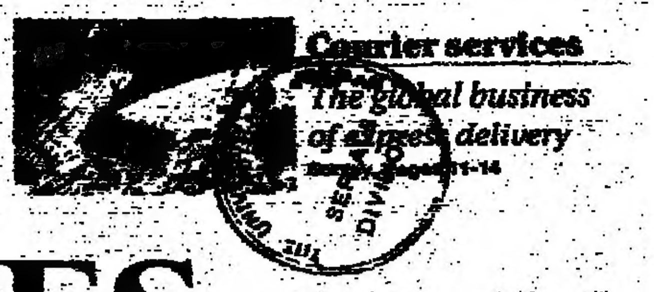

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FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY MAY 19 1993 — D8523A

Trial of 12 Soviet coup leaders set to collapse

The trial of 12 leaders of the attempted Soviet coup in August 1991 seemed set to disintegrate after a judge ordered the dismissal of the prosecuting team for prejudging the outcome by publishing a book about the defendants. Page 20

US rift with allies over Bosnia: The gulf between the US and its major allies on Bosnia was underlined when Warren Christopher, the US secretary of state, said Washington considered it impossible to implement the Vance-Owen peace plan for Bosnia "at the present time". Page 20

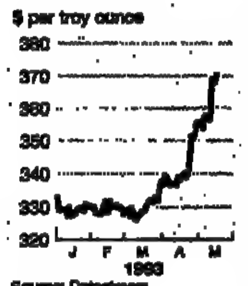
Steinkühler urged to quit: German politicians and trade union members called for the resignation of Franz Steinkühler, leader of the IG Metall engineering workers' union, from board memberships for alleged insider dealing in shares in a Daimler-Benz holding company. Page 20; Editorial Comment, Page 19

Sicilian Mafia boss arrested: Italian security forces arrested Nitto Santapaola, the most wanted member of Cosa Nostra, the umbrella organisation of the Sicilian Mafia. Page 20

Fosters expands into China: A subsidiary of Foster's, the Australian brewer, announced a A$120m ($85.7m) joint venture with Huaguang Brewery in Shanghai, as it expands into China, the fastest growing beer market. Page 20

British Airways launched a £442m rights issue after a drop in profits and doubling in debt. Annual pre-tax profits, calculated according to new rules, fell 57 per cent to £185m ($284.9m), while borrowings rose to £3.453bn. Page 21; Lex, Page 20

Gold price



Source: Datastream

Gold price hits 23-month high
The gold market frothed up again and in late trading the dollar price in London broke through another psychological barrier to close at $370.25 a troy ounce, the highest for 23 months. Traders suggested the price was driven up by the momentum of options activity which created great volatility at key prices. Page 36

Slow train jibe: France's president François Mitterrand mocked Britain for not building a high-speed rail link to the Channel tunnel in time for next year's opening. Page 2

Japan trade surplus up 44%: Japan's trade surplus last month rose 44 per cent year on year to $10.25bn as the yen's appreciation led to a sharp increase in the dollar value of exports, while imports remained weak. Page 6

Westinghouse Electric of the US has finalised two contracts, worth a total of up to $400m to supply technology, equipment and services to the partially completed Temelin nuclear power station in the Czech Republic. Page 8

Saarstahl, the lossmaking German steel group controlled by Usinor-Sacilor of France, filed for bankruptcy after deciding it could no longer sustain heavy losses running at DM30m ($18.6m) a month.

Volvo, the Swedish vehicle group, saw weak markets and higher interest payments lead to an increased loss after financial items of SKr331m ($45m) in the first quarter, compared with a SKr248m loss in the same 1992 quarter. Page 21

Cambodia factions criticised by UN: The United Nations Transitional Authority in Cambodia criticised factions for not co-operating with UN peacekeepers and warned them not to disrupt next week's election. Page 7

Norway whaling quota: Oslo announced a quota of 296 minke whales this year in defiance of an international eight-year ban, but Japan said it would abide by current rules. Page 2

Honda, the Japanese car manufacturer, announced a 32 per cent fall in pre-tax profits and warned that results for this year were also likely to show a significant drop. Page 21

Food share prices fall on BSN: Share prices of leading European food companies fell after BSN, France's largest food manufacturer, said it would cut prices to defend market share. Page 21

Daiwa, Japan's second-largest securities house, posted its first loss since 1964 as the country's leading brokers reported weak earnings. But the houses said the three-year collapse of Tokyo stock prices was over. Page 21

■ STOCK MARKET INDICES

FT-SE 100:	2847.3	(-10.8)
Yield	4.0	
FT-SE Eurotrack 100	1152.98	(+8.91)
FT-A All-Share	1403.74	(-0.2%)
Nikkei	20229.39	(-336.12)
New York lunchtime:		
Dow Jones Ind Ave	3437.19	(-12.74)
S&P Composite	440.21	(-0.16)

■ US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.055%
Long Bond	101 12/32
Yield	6.993%

■ LONDON MONEY

3-mo Interbank	6 1/8%	(same)
Liffe long gilt future:	Jun 103 12/32	(Jun 103 21/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (July)	$18.35	(18.395)

■ Gold

New York Comex (Jun)	$376.0	(368.0)
London	$370.25	(368.2)

■ STERLING

New York lunchtime:		
$	1.53175	
London:		
$	1.5315	(1.533)
DM	2.4875	(2.4775)
FFr	8.3925	(8.34)
SFr	2.265	(2.2525)
Y	170.75	(same)
£ Index	80.2	(80.0)

■ DOLLAR

New York lunchtime:		
DM	1.6235	
FFr	5.482	
SFr	1.47755	
Y	111.545	
London:		
DM	1.624	(1.616)
FFr	5.48	(5.44)
SFr	1.479	(1.47)
Y	111.55	(111.45)
$ Index	64.5	(64.3)

Tokyo close Y 111.28

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr60	Hungary	Ft172	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lw25.00	Iceland	IKr180	Neth	Fl 3.75	Slovak Rp	KSL45		
Croatia	SLT220	India	Rs40	Nigeria	Naira45	Slovenia	HRD5700		
Cyprus	C£1.00	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta200		
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15		
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.30		
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00		
Finland	FM12	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250		
France	FFr9.00	Lebanon	US$1.25	Portugal	Esc215	Turkey	L7000		
						UAE	Dh11.00		

Denmark votes Yes to Maastricht

By Hugh Carnegy and Hilary Barnes in Copenhagen and David Gardner in Brussels

PAGE 4
■ Key to unlock community
■ Anti-EC sentiment grows

DENMARK delivered a decisive vote in favour of the Maastricht treaty on European union last night, according to computer predictions and exit polls broadcast on Danish television.

The result came as a huge relief to European Community leaders as well as to the Danish government. Last June's initial rejection of the treaty by Danish voters threw the EC strategy for closer economic and political union into serious doubt.

Computer forecasts of the final result, based on 46.7 per cent of votes counted, showed a win for the Yes campaign by 56.8 per cent to 43.2 per cent, overturning the narrow Danish rejection last June. Yesterday, turnout was estimated at 85 per cent, exceeding last year's 83 per cent.

The prediction was in line with exit surveys by Gallup published as polls closed, which forecast a 57 per cent to 43 per cent victory for the Yes camp.

Mr Poul Nyrup Rasmussen, the prime minister, claimed victory shortly after the first computer predictions were broadcast. "I am happy that it is such a clear result... it is a very important Yes," he said. Mr Niels Helveg Petersen, foreign minister, proclaimed: "This is good for Denmark and it is good for Europe."

Looking forward to the EC summit in Copenhagen next month, which Denmark will chair as current president of the Community, Mr Helveg Petersen said: "Denmark can speak with greater authority."

Ms Drude Dahlerup, spokeswoman of the anti-treaty June Movement, conceded defeat shortly after the first exit polls, saying: "It's clearly a disappointment. It's a historical decision going the wrong way." But she said the size of the No vote showed that "the people are still divided and parliamentarians must listen to all those people who voted against the treaty."

Mr Jacques Delors, the European Commission president, said last night: "This vote can also give a stimulus to the Community in order to leave behind a period of morosity and inaction, while our continent is shaken by tragic violence, while it faces many internal problems, especially economic stagnation and rising unemployment. For all these reasons, Europe needs a new impulse."

Sir Leon Brittan, EC commissioner for external economic affairs, said: "The Danes have decided after long and detailed analysis that, far from forcing them down the road of an over-centralised and bureaucratic union, the Maastricht treaty will strengthen the ties between European nations without threatening their identity."

The Danish government is expected to unveil today a package of economic measures to expand domestic demand and reform the income tax system which it was holding back until sure of a Yes vote.

France, which last June had initially urged EC partners to brush aside Denmark's rejection of Maastricht, last night welcomed yesterday's vote. The foreign ministry, with an eye to British ratification, said it was most important to implement Maastricht as soon as possible.

The Edinburgh EC summit last December granted Denmark opt-outs from the treaty's provisions on a unified currency, defence policy, community-wide legal and police co-operation and union citizenship. The Edinburgh agreement was backed by more than 90 per cent of the Folketing, the Danish parliament. But opponents argued it was a meaningless excuse to hold a second poll on the treaty, which itself has not been changed.

Officials from Norway and Austria, which along with Sweden and Finland are currently negotiating entry to the EC, were relieved by yesterday's result and hopeful that the change of heart among Danish voters would boost waning Euro-enthusiasm in their own countries.

Mr Henning Christophersen, the Danish commissioner in charge of economic affairs, stressed the need to get on with the second stage of economic and monetary union, due to start next year.

He insisted that Emu and a single currency was still a viable goal by its earliest date in 1997. "I still believe that a majority of the member states could meet the [fiscal and monetary convergence]-criteria," Mr Christophersen said. "A lot can be done within the next three to four years," he added.

Danish prime minister Poul Nyrup Rasmussen talks to journalists after casting his vote in the referendum on the Maastricht treaty

Now the real debate on European union begins

By Lionel Barber in Brussels

DENMARK'S decisive Yes to Maastricht will cause the political establishments across Europe to breathe a sigh of relief, ending a period in which the European Community has been in suspended animation.

In the UK, the result should tip the scales decisively in favour of Mr John Major as he pushes the Maastricht bill through its final stages in the UK parliament. Barring an upset in the British or German courts, ratification seems secure.

Yet the Danish Yes is unlikely to end the crisis of legitimacy surrounding the treaty. When EC leaders signed Maastricht in December 1991, they hailed it as point of departure for European political and monetary union; but even the latest Commission polls show public support for European integration is tumbling.

The Danish endorsement does not amount to a true test of public support for European union. The version of Maastricht which Danes approved yesterday contains legally binding opt-outs on core elements of the treaty, including the single European currency, European citizenship and defence policy.

A senior European Commission official declares the treaty will have no obvious impact on the fundamental problems facing the EC such as rising unemployment, low investment, public spending crises in almost all the member states and monetary instability.

The Danish Yes should free the Commission and member-states to focus on the Community's pressing challenges: enlargement negotiations with Austria, Finland, Norway, and Sweden; the political and economic integration of the former communist countries of Eastern Europe; and the issue of European competitiveness in relation to the US and Asia, itself the subject of an in-depth study ordered by Mr Jacques Delors, president of the European Commission.

A senior EC official listed several "tests" for the Community in the coming months: making the single market work, including the removal of lingering restrictions on the free movement of EC citizens; concluding the Uruguay Round in the Gatt trade talks; and ensuring stability inside the European exchange rate mechanism so as to maintain the credibility of the EC to monetary union by 1999 at the latest.

Paradoxically, the Danish Yes may reignite the debate on European union.

The run-up to European Parliament elections next year is an obvious launch-pad; so too the sense among the European federalists that they no longer need worry about frightening the minimalist Danes or the British as they edge toward ratification. Belgium, which takes over the EC presidency from Denmark on July 1, is in the lead.

Last weekend, Mr Philippe Maystadt, Belgian foreign minister, came out in favour of watering down the strict Maastricht "convergence" criteria for monetary union - a move which would allow an inner core of EC member states to move forward to fixed exchange rates but which would alarm the Bundesbank, which has insisted that Maastricht must be respected to the letter.

All this may simply be letting off steam; but it may also suggest that the debate on the future course of the EC may be about to begin. For if Euro-sceptics and Euro-enthusiasts agree on anything, it is that Maastricht settled nothing.

D-Mark hit as quieter ERM looms

By James Blitz in London

THE PROSPECT of a Danish Yes vote weakened the D-Mark yesterday, as international investors concluded that such a result would significantly ease tensions in the European exchange rate mechanism.

Several European currencies, including sterling and the lira, enjoyed strong rises against the D-Mark on the prospects that Denmark's ratification of Maastricht would lead to a period of calm in Europe's fixed exchange rate system.

This reversed a trend of recent weeks in which investors, fearful of another Danish No, sought a safe haven against a renewed threat to European economic and monetary union by buying D-Marks and Swiss francs.

German government bond prices also fell yesterday, to the benefit of Italian and French bonds. In European trading, the pound closed a pfennig higher against the D-Mark at DM2.4875. The lira finished at L909.2 against the D-Mark, up from a previous close of L914.9.

The dollar gained significantly from the D-Mark's weakness, rising more than a pfennig to peak at DM1.6272 in Europe. It later closed in London at DM1.6240.

Currencies, Page 44

Major will aim to complete British ratification by July

By Philip Stephens, Political Editor, in London

MR JOHN MAJOR last night seized on Denmark's endorsement of Maastricht to signal that Britain would now press ahead quickly with ratification of a treaty which has come close to splitting the Conservative party.

The UK prime minister, who has seen his government's authority drained by the bitter struggle over the treaty, voiced hope that his Conservative party would now put its differences behind it. Ministers said the government now hoped to complete the tortuous and bitter ratification process before the summer parliamentary recess at the end of July.

Speaking to businessmen last night, Mr Major said that the ending of the uncertainty surrounding Maastricht would provide a boost to economic recovery in Britain and in Europe. The Community could now go forward as 12 into the next intergovernmental conference in 1996.

But while his party's European "sceptics" acknowledged that the Danish result had severely dented their hopes of wrecking the agreement, they vowed to continue to fight British ratification in the House of Lords and in the courts.

The Maastricht bill will complete its passage through the House of Commons tomorrow. Despite the threat of a rebellion by 40 or more Conservative Euro-sceptics the bill's passage to the House of Lords is guaranteed because of the Labour's party's decision to abstain on the crucial third reading vote.

Lady Thatcher, the former prime minister, and Lord Tebbit, a former cabinet member and Conservative party chairman, will lead another rebellion against the bill in the Lords, but Mr Major is confident they will be unsuccessful. He also expects to defeat a legal challenge from the Conservative Euro-sceptics over Britain's opt-out from the social chapter.

Senior ministers were acknowledging last night, however, that the wounds in the Tory party by the bitter struggle over the treaty will take years to heal.

The government has already been warned by its supporters that any move to take sterling back into the European exchange rate mechanism – as required under the Maastricht treaty – would trigger an even bigger revolt among its supporters.

Better inflation outlook, Page 10

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NEWS: EUROPE

Defiant Oslo approves whale hunt

By Karen Fossli in Oslo

NORWAY said yesterday it would allow the killing of 296 minke whales this year, in defiance of an eight-year ban. It is prepared for possible sabotage attempts on the whaling fleet.

Mr Johan Joergen Holst, foreign minister, told parliament that the quota would include 136 whales to be taken for scientific research.

Whalers were disappointed with the quota and some larger vessels might find it uneconomical to hunt.

"In fixing this year's quotas we have followed the recommendation of the IWC [International Whaling Commission] scientific committee," Mr Holst said.

Norway had chosen to fix the quota at the lowest level the IWC would have allowed had it followed its own rules. "We wish to demonstrate that Norway is going forward carefully on this issue," he told parliament.

Mr Georg Blitchfeldt, of the pro-whaling High North Alliance, said yesterday he did not believe commercial whaling could commence before the beginning of June.

He said that quotas for each whaling boat remained to be fixed; the fleet required inspection; and the areas where hunting was to be allowed still had to be decided.

A Foreign Ministry spokesman said Oslo had fixed a budget of NKr11m ($1.6m) to cover an information campaign and pro-whaling lobbying activities primarily in Washington, London and Bonn.

The US Congress is reviewing a proposal calling for limited sanctions against countries which resume commercial whaling in defiance of a 1985 IWC moratorium, reaffirmed on Friday.

In Reykjavik, Icelandic Fisheries Minister Thorsteinn Palsson welcomed Norway's decision, agencies report.

"This undoubtedly strengthens our campaign to restart whaling," Mr Palsson said in a radio interview, adding: "I welcome this decision."

He said Iceland had not yet moved to resume whale hunting. Although a traditional whaling nation, it stopped the hunt after catching its last whale in 1989.

Last year Iceland withdrew from the IWC, complaining that it had become a forum for anti-whaling campaigners.

The whaling issue is expected to be discussed during a visit by Norwegian Prime Minister Gro Harlem Brundtland today.

Robert Thomson adds from Tokyo: The Japanese government has said it will abide by the IWC's decision last week to deny it permission to catch 50 whales in addition to its annual take of about 300 minke whales for "research purposes".

Japanese whalers also took 154 whales last year from within the country's territorial waters. With Japanese government approval it can increase that catch without breaching the IWC's ban.

While the government was unhappy with the IWC's decision to extend the moratorium on commercial whaling, it fears an open violation of the commission's rules could lead to criticism from the US government.

Japan plans to seek IWC approval again next year for a small quota of whales under a "community-based" programme, which was discussed at last week's conference in Kyoto, and then gradually increase the catch in following years.

A thoroughly modern union man

Perhaps too modern for his membership, writes **Quentin Peel** of Franz Steinkühler

HE IS trim, dapper, fast-talking, and very much the modern trade union man.

He sits on the supervisory boards of three thoroughly blue-chip German companies, Daimler-Benz, Volkswagen and Thyssen.

He wears suits designed by Hugo Boss, and ties from Armani. He is chauffeur-driven to work every day in a Mercedes from his home in the Taunus mountains, where Frankfurt's bankers live, to his offices near the main railway station in the city centre.

He smokes good cigars, and unashamedly enjoys fine food.

He earns about DM270,000 (£110,000) a year, and has undoubtedly saved a bit for his old age, like the careful Swabian he is.

He jogs every day, and plays tennis with Mr Edzard Reuter, the chief executive of Daimler and Germany's top industrialist. The two are on familiar terms, calling each other *Du*.

Now it is clear that Mr Franz Steinkühler, head of IG Metall, the giant engineering workers' union and undisputedly Germany's most powerful union leader, is not averse to substantial speculation on the stock exchange. He has admitted buying almost DM1m worth of shares in a Daimler holding company, in a deal which netted him a windfall profit of DM64,000 almost overnight. He may yet prove to have been a bit too modern for his membership. For the storm surrounding Mr Steinkühler showed no sign of abating yesterday. Indeed, it appeared to be gathering strength as trade unionists joined conservative politicians urging him to resign.

Steinkühler: a reforming figure but with a militant reputation

Although he came from the left to take over his union, Mr Steinkühler has proved to be a reforming figure, respected both in board rooms and the Chancellor's office in Bonn as a man with whom one can do business.

When Chancellor Helmut Kohl launched his bid to negotiate a "solidarity pact" last year with the opposition Social Democrats, trade unions and employers, the first man he called in for secret talks was Mr Steinkühler. Once he was persuaded that a deal could and should be done, insiders were convinced Mr Steinkühler would deliver.

The negotiations lasted six months, instead of the 12 weeks intended, but the deal was done. Mr Steinkühler won a promise from the Chancellor that ailing enterprises in east Germany would get a new lease of life.

In exchange he was supposed to have promised pay restraint from his members. The deal has held true in west Germany, but in the east, Mr Steinkühler promptly led his members out on strike in defence of their deal for rapid wage equalisation.

Mr Kohl got his solidarity pact on paper. Mr Steinkühler preserved his reputation as a militant.

Yet now the union's hard man looks likely to fall foul of the rash of scandals which has beset the German body politic.

There is no doubt he is a tough negotiator and a hard task-master, even within his own slightly scruffy union office block in Frankfurt. They know him there as "Kaiser Franz", undisputed boss of a highly centralised organisation since 1986, when he took over at the relatively young age – for a union leader – of 49.

He was always dismissive of those who would criticise his enjoyment of good food and the good life. "When people talk like that, I always ask if they know anyone who likes to eat badly," he said in an interview. "Of course I like eating well, and I would rather drive a fast car than an old banger. So would most people, I imagine."

His immediate response to the latest accusations of insider-dealing in the shares of Mercedes Holding was typical. He came straight out, admitted the deal, but denied insider knowledge. The shares were moving, and it was a perfectly normal deal, he declared.

In spite of the recognition that German trade union leaders are well paid, and that they move in top business circles on the supervisory boards of all the main industrial companies, the revelation that Mr Steinkühler was able to come up with almost DM1m for the deal is proving hard for most of his members to swallow.

Yet they also believe that it is a classic right-wing coup against a modern left-wing leader. Somebody leaked precise details of share-dealings carried out by Mr Steinkühler's bank on his behalf. Nobody disputes the figures.

The question is can he switch the blame on to some unspecified conservative plot against the workers, or has he exhausted the sympathy of his own members by behaving too much like the very capitalists he was elected to fight?

KEY DATES LEADING TO STEINKUHLER'S SHARE WINDFALL

CHRONOLOGY of Mr Franz Steinkühler's share purchases.

- December 1975. Mercedes Holding (MAH) is founded to prevent the Flick family selling the bulk of its 39 per cent shareholding in Daimler-Benz to the Shah of Iran. The holding company acquires just over 25 per cent of Daimler shares. Shares in MAH are quoted but half are owned by companies and financial institutions loyal to Daimler management. Between 1975 and 1992 MAH has no function but to own shares in Daimler, and shareholders receive the same dividend as Daimler shareholders. But Mercedes shares stand at a discount of 20-30 per cent to Daimler.
- December 18, 1992. MAH annual meeting in Frankfurt. Prof Ekkehard Wenger, the maverick professor of business studies at Würzburg University and one of Germany's leading shareholder activists, forces shareholders to vote on a motion calling for abolition of MAH. Shareholders vote 99.9 per cent in favour of preserving the status quo.
- December 22, 1992. A leading article in the Börsenzeitung, Germany's most authoritative financial newspaper, says MAH is no longer justified. But in the absence of concrete plans to get rid of the structure, the huge discount to Daimler shares remains.
- March - April 1993. Mr Steinkühler buys 2,100 MAH shares for almost DM1m (£400,000).
- March 24. Daimler announces it will seek a share listing in the US by the end of the year. MAH's share price starts to rise, with the discount to Daimler shares dropping from 25.52 per cent on March 22 to 18.79 per cent on the morning of April 2.
- April 1-2. Daimler supervisory board meets, attended by Mr Steinkühler, a board member for 15 years. Dissolution of MAH agreed – US investors do not approve of such anti-takeover devices and MAH complicates Daimler's plans to hold a large rights issue. On April 1 Mr Steinkühler buys half his shares.
- Friday, April 2. Daimler announces that MAH is to be dissolved. In late trading MAH jumps DM84.50 to close at DM575. Shares climb higher on Monday as the discount disappears: MAH shares are to be exchanged for Daimler shares later this year.
- April - May. Mr Steinkühler – with other members of the Daimler supervisory board – is interviewed by officials from the Insider Dealing Commission of the Frankfurt Stock Exchange. They are investigating circumstances behind the rise in MAH's share price prior to the April 2 announcement.
- May 17. Story of Steinkühler share purchases breaks, based on documents leaked to Stern magazine from the Stuttgart branch of the BfG Bank, the former trade union bank.

Compiled by David Waller

Kohl set to reopen Turkish wounds

By John Murray Brown in Ankara

TURKEY'S often fraught relations with Germany start afresh today with the visit to Ankara of German Chancellor Helmut Kohl.

The visit coincides with a period of considerable political change. Mr Suleyman Demirel has just been installed as president and the search for his replacement as prime minister, and perhaps a new coalition government, is barely under way.

In a row last year over the use of German military aid in Turkey's fight against Kurdish rebels, the late President Turgut Ozal outraged German opinion when he compared the policies of Mr Kohl with those of "Hitler's Germany".

There remains a residual resentment of Bonn's sometimes high-handed attitude, but no Turkish administration can afford to ignore Germany, Turkey's most important trade and investment partner.

Germany is also a leading aid donor, and has provided DM6bn (£2.4bn) in military assistance either bilaterally under Nato programmes, or as part of the "cascade" effect following Conventional Forces in Europe (CFE) arms reductions.

If relations are strained today it will partly reflect realisation on both sides that special economic ties have changed.

With the challenges of reunification, German assistance is expected to tail off. Direct military aid to Turkey, together with Portugal and Greece, has already stopped, while remittances from Turkish workers – a vital part of balance of payments, at about $2.1bn (£1.36bn) in 1992 – have peaked.

The labour issue is at the centre of Turkey's problems with Germany. Many Turks believe it is the main reason for German opposition to Turkey's bid to be a full member of the EC.

Instead of furthering these European ambitions, the presence of the guest workers or *Gasterbeiter* has merely underlined the fact, for many Germans at least, of Turkey's differences in religion and customs.

There is a programme to encourage repatriation: Turkey's Emlak Bank arranged for mortgages in Germany to be transferred and the switching of social security dues was guaranteed.

Lump sum payments were also used as inducement, with little success. Germany's Kreditanstalt für Wiederaufbau, the official aid arm, then launched a cheap loan programme with an interest rate of 3 per cent over 40 years for *Gasterbeiter* setting up businesses in Turkey.

However, many of the businesses were unable to survive once the subsidies ran out. Moreover, much of the funding was diverted into "Turkey's extended family network". The loan programme has been cancelled.

For those who have returned the problems of adjustment are often immense. "We have a generation who do not speak good Turkish or good German. We are dealing here with a problem of identity," says Mr Midhat Seref, head of the overseas workers department at the Turkish Labour Ministry.

Today's three-day visit by Mr Kohl coincides with the trial of two right-wing activists charged with killing three Turks in a firebomb attack in Möelln last November.

Many Turkish officials hope the tragedy will lead to a rethink of Germany's immigration policy.

Liberals shake up Austrian politics

By Eric Frey in Vienna

THE surprise showing by a new liberal party in Austria's regional elections has altered the political landscape. The Liberal Forum, which split from the right-wing Freedom Party (FPOe) early this year, gained 5.1 per cent of the vote and three seats in the province of Lower Austria in its first try at the polls.

The result reinforced the erosion of support for the two largest parties, the conservative People's Party (OeVP) and the Social Democratic Party (SPOe). The OeVP won 44.1 per cent of the vote, down 3.4 percentage points, which cost it the absolute majority in the regional parliament it had held for 45 years. The SPOe, at 34 per cent, was down by a similar margin.

The result was a personal triumph for Ms Heide Schmidt, founder of the Liberal Forum, who, with four other members of parliament, left the FPOe in protest against the rightward tilt engineered by its populist chairman, Mr Jörg Haider.

The FPOe also gained in Lower Austria but because of the competition its 12 per cent share fell well short of recent results in other regions. Operating with little money, no grass-roots organisation and with few prominent names other than Ms Schmidt, the Liberal Forum also surpassed the more established Greens, who fell short of the 4 per cent needed to gain a seat.

The fledgling party is now in a strong position to benefit from growing disillusionment with the SPOe and the OeVP, which have dominated Austrian politics since the second world war and are currently governing in a grand coalition.

The appearance of the party has also added to the fragmentation of political life, making the country harder to govern than in the stable two-party system of the past. Ms Schmidt has not presented a detailed party programme, but in public statements she has supported membership of the European Community and more radical free-market policies.

Ever since Ms Schmidt left the FPOe following its controversial anti-foreigner drive, Mr Haider's popularity has declined. He has become increasingly isolated. The Liberal International has effectively expelled the FPOe and is now poised to accept the Liberal Forum as a member.

French President François Mitterrand at the controls of the TGV on its inaugural Paris-Lille run

Mitterrand mocks UK as new TGV link opens

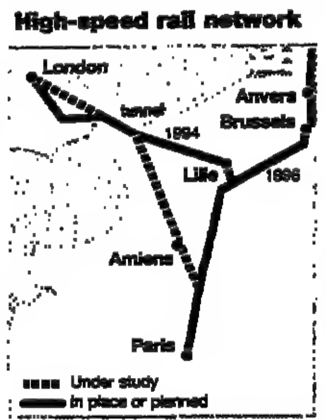
By David Buchan in Paris

PRESIDENT François Mitterrand yesterday inaugurated the extension of the TGV (*train à grande vitesse*) high-speed link from Paris to Lille, the first leg of the high-speed rail network that is to extend to London and Brussels by the mid-1990s.

In a mocking reference to the British for not yet deciding on a high-speed link on its side of the channel, Mr Mitterrand said: "They will race at great pace across the plains of northern France, race through the tunnel on a fast track and then be able to daydream at very low speed, admiring the (English) landscape and the countryside ... until the day when someone over there in London decides to harmonise the way of doing things between the continent and the island," he said.

The British government only recently decided to build a fast track from London to the tunnel and it has yet to approve the route because of likely protests from people living in southeast England.

High-speed rail network



On the French side, Lille is expecting the TGV to turn it from a decaying industrial backwater into an important European regional centre. It is integrating its TGV station into a huge new FFr5.2bn (£620m) business centre, and even touting itself as a rival to Lyons for the French site of the mooted European central bank.

According to Mr Bruno Bonduelle, a leading Lille businessman, the city has within a radius of 250km, stretching to southeast England, Belgium, the Netherlands and the Paris area, "80m of the richest people on the planet". Amiens to the west, and Valenciennes to the east, complain, however, that the shortest routes to Calais and Brussels lie through their cities, not through Lille whose mayor, Mr Pierre Mauroy, they claim, used the political pull as a former socialist prime minister to win the route.

The opening took place, however, against a background of complaints by rail users about the higher fares (ranging from FFr207 to FFr481 for a round trip) they will have to pay to help recoup the FFr18.5bn cost.

French minister praises political ties with London

By David Buchan

THE UK government's drive to forge closer ties with its fellow conservatives in France won reciprocation yesterday from Mr Alain Juppé, France's foreign minister, who hailed "the excellent climate" that had been achieved in Anglo-French relations in the past two months. In an interview published in yesterday's Le Figaro, Mr Juppé said France's relationship with Britain was "not an alternative, but a complement to" its compact with Germany.

The Bonn-Paris relationship was the European Community's main motor, but not the sole one. The minister said as the EC grew, it would have to let certain members take the lead in certain areas.

A Community of 15 or 17 members "will not be able to do everything all together", he said.

He added that it was obvious "France, Germany and Britain have a special responsibility for security". In general terms, Mr Juppé attributed the identity of interest between France and Britain to the fact they were "old and great powers" whose permanent membership of the United Nations Security Council gave them a special role.

But this has been cemented by very close co-ordination between the two governments in the Bosnian crisis. Mr Douglas Hurd, the UK foreign secretary, was the first minister Mr Juppé met after he assumed office.

Meanwhile, the British prime minister, Mr John Major, is to visit Paris before the end of this month – one of the first foreign leaders to call on the new centre-right government.

Romania's steel workers join strike

TENS of thousands of Romanian steel workers entered the second day of a strike yesterday, demanding pay increases to match price rises, Reuter reports from Bucharest. "Around 30,000 workers are now on strike and all our union members are ready to stop work this week if we fail to reach an agreement with our employers," said Mr Ioan Homos, leader of the Metarom trade union.

Metarom claims to have 90,000 members, or some 70 per cent of the workforce in the steel industry. Workers in the non-ferrous sector, including the country's big aluminium smelters, were affiliated to a separate trade union and had not joined the stoppage so far, Mr Homos said.

Metarom wanted a minimum monthly wage of 30,000 lei (£52.50) for skilled workers compared with the current average of 24,000 lei.

Yesterday workers in the big steel plants of Hunedoara, Calan, Otelul Rosu and Easteel also joined the strike. The prime minister, Mr Nicolae Vacaroiu, has appointed a team of negotiators to discuss Metarom's claims.

Earlier this month Romania's big trade unions, comprising more than 6m workers, won pay concessions from the government after threatening a strike. The government agreed to raise public sector minimum monthly wages to 30,000 lei from 17,600 lei.

Prices for heating, bread, milk, butter, water, energy and public transport are expected to rise by up to 800 per cent now that price controls have been lifted since May 1. Bread prices have already risen by 450 per cent.

Kuchma argues strong executive rule would arrest economic decline

Ukraine PM demands new powers

By Chrystia Freeland in Kiev

UKRAINIAN Prime Minister Leonid Kuchma yesterday asked parliament for expanded powers over the economy to push through the country's stalled market reforms.

In a tough address to the legislature, the prime minister called for an extension of the government's authority to rule the economy by decree; for control over the central bank, the state privatisation body and the state anti-monopoly commission; and for direct jurisdiction over presidential representatives who have executive power in Ukraine's regions. He wants the extraordinary powers to be granted for a year.

For the past six months the government has had the authority to rule the economy by decree, but those powers ran out yesterday. The prime minister asked the legislature not only to extend but to expand the government's authority, arguing that it would be possible to arrest Ukraine's economic decline only through "strong executive rule".

'It is not the fault, but rather the tragedy, of the National Bank that it cannot resist the pressure of factory directors'

Parliament, which spent the day debating the proposals and hearing reports from other government officials, is expected to decide by the end of the week.

In what promises to be one of the most critical weeks in Ukrainian politics, the legislature is also due to debate the controversial Strategic Arms Reduction Treaty (Start 1).

Although the Ukrainian legislature is dominated by conservative ex-communists, Mr Kuchma appears likely to be granted the extra powers he is seeking.

He has the backing of the other two top figures in Ukrainian politics, President Leonid Kravchuk, scheduled to address parliament today, and Mr Ivan Pliushch, chairman of the legislature.

In his address, Mr Kuchma, who has threatened to resign if he is not given the additional powers, outlined the government's goals on agrarian reform, small and medium-sized privatisation, liberalisation of foreign trade, monetary reform and the creation of a social safety net.

He accused the National Bank, which issued 1,230bn coupons worth of credits at the end of March which triggered a 50 per cent devaluation in the Ukrainian currency, of undermining the government's reform efforts.

"It is not the fault, but rather the tragedy, of the National Bank that it cannot resist the pressure of factory directors," Mr Kuchma said. "Our central bank sometimes behaves as though it were a charity."

In defence of his policies, Mr Viktor Iushchenko, bank chairman, said parliament and the government often forced the bank to issue credits. He also announced a jump in interest rates to 240 per cent a year.

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Bosnia plan championed by Kozyrev

By Laura Silber in Belgrade

MR Andrei Kozyrev, Russian foreign minister, yesterday met Serbian, Croatian and Bosnian leaders in an attempt to promote Moscow's proposal for a step-by-step implementation of the Vance-Owen peace plan for Bosnia-Hercegovina.

In an apparent reference to US criticism and Washington's refusal to attend a proposed UN Security Council session, Mr Kozyrev went out of his way to defend the plan to divide Bosnia into 10 provinces along ethnic lines.

"A better alternative to the Vance-Owen plan simply doesn't exist... it would be a continuation of bloodshed," he said.

On arriving in Belgrade for talks with Serbian President Slobodan Milosevic and his Yugoslav and Montenegrin counterparts, Mr Kozyrev described their support for the plan as more important than its rejection by Bosnian Serbs in their weekend referendum.

The foreign minister tried to play down a rift with the US over the plan, saying that he and Mr Warren Christopher, US secretary of state, were in close contact and that it was no more than "a difference in timing" over when the Security Council should meet to discuss the latest Russian proposals.

Earlier yesterday Mr Kozyrev met Mr Alija Izetbegovic, the Moslem president of Bosnia, and Mr Franjo Tudjman, the Croatian president, in Split on the Adriatic coast. Talks centred on ways to broker a lasting ceasefire between the Croats and Moslems, formerly allies, in Mostar, south-western Bosnia.

The Russian delegation said it had gained the approval of Mr Tudjman for the deployment of international monitors along the frontier between Croatia and Bosnia.

Mr Kozyrev said he was unsure when Mr Milosevic would decide on deployment of monitors on the Serbian-Bosnian border. The Serbian president had previously insisted that this depended on deployment on Croatia's borders with Bosnia.

Lord Owen and Mr Thorvald Stoltenberg, the international mediators, also held talks with the Croatian and Bosnian presidents in Split in an attempt to win their commitment to a lasting ceasefire between Bosnian Croats and Moslems and a reaffirmation of their endorsement of the peace plan. As the rival presidents traded accusations about who was responsible for the fighting, Lord Owen said: "I am sick and tired of agreements being signed like confetti."

He said the former Yugoslav republic could become a Lebanon in Europe and that fighting would spread beyond its frontiers if Bosnia crumbled into separate ethnic statelets.

"If Croats and Moslems cannot live together, side by side, there will not be a Bosnia-Hercegovina. There are enough obstacles from the Serb side already," Lord Owen said.

"There is no way I can imagine the Moslem population will allow the partition of the country. They will fight. It will be like Lebanon.

"They will go on fighting and fighting and fighting and that contagion will spread to Serbia and Croatia."

Allied rift on peace process

By Robert Mauthner, Diplomatic Editor

THE world's main powers, already in disarray over their Bosnian policy after the recent European tour of Mr Warren Christopher, US Secretary of State, yesterday appeared to be heading for a serious rift.

The US set the alarm bells ringing on Monday night by stating that it would not attend a foreign ministers' meeting of the UN Security Council on Friday, as proposed by Moscow.

That meeting, which will not now take place, had been called by Mr Andrei Kozyrev, Russian foreign minister, with the specific purpose of discussing the latest Russian proposals for a stage-by-stage implementation of the Vance-Owen peace plan for Bosnia.

Washington's reason: that it was not yet ready to discuss joint steps by the international community in Bosnia because of continuing differences over what action should be taken, merely underlines the seriousness of the disagreements.

A Serb soldier walking through a graveyard during a lull in fighting in the town of Nevesinje, eastern Bosnia-Hercegovina

Though no different from those that existed before Mr Christopher's European tour, they have been reiterated with some precision over the past 48 hours. Deep US scepticism about the workability of the Vance-Owen plan, is coupled with a conviction that some kind of military action against the Bosnian Serbs is now required. This contrasts with the view of the European Community and Russia that the international peace plan must remain the basis of a settlement and that military action would undermine humanitarian relief efforts and endanger European peacekeeping forces already on the spot.

Mr Christopher told the House of Representatives yesterday that he considered the Vance-Owen plan could not be implemented in its present form, given the Bosnian Serbs' opposition to it. And while the administration had no intention of acting alone, it would continue to press for lifting the arms embargo against the Bosnian Moslems. At the same time, the EC put out a statement in Brussels that it remained fully committed to the Vance-Owen plan. In the eyes of the US's European allies pressure should be applied mainly in the form of a complete blockade of supplies to the Bosnian Serbs, with the exception of food and medicines. The EC countries have been encouraged by the stated willingness of President Slobodan Milosevic to seal Serbia's frontier with Bosnia, though it is far from clear how effective the Serbian measures will be in practice.

The Russians have not spelled out in detail their ideas about a stage-by-stage implementation of the Vance-Owen plan, which might be impossible to carry out as long as the fighting continued. But Mr Kozyrev said yesterday that Presidents Franjo Tudjman of Croatia and Alija Izetbegovic of Bosnia, whom he had seen earlier in the day, had both shown willingness to implement the peace plan.

The French, meanwhile, have taken the Russians at their word, suggesting that both the US and Russia should send ground troops to Bosnia to help protect Moslem safe areas set up by the UN.

Mr Alain Juppé, foreign minister, said in an interview that, while France could not provide more than the 5,000 troops it already has in Bosnia, it wanted the big powers "to relieve our efforts".

However, the proposal seems most unlikely to get off the ground, given that neither the US nor Russia have shown any inclination to contribute any ground troops.

For the Bosnian Serbs, the rift between the main members of the Security Council has come as a welcome respite, just as they appeared to have been forced against the wall by international pressures.

Brussels steps up pressure on Italian steel

By Andrew Hill in Brussels

THE European Commission has stepped up pressure on the Italian government to justify the planned restructuring of Ilva, the state-owned Italian steel company.

Mr Karel Van Miert, EC competition commissioner, has written to Mr Paolo Savona, the Italian industry minister, identifying problems with the latest plan and calling for a rapid response – possibly including drastic capacity cuts.

Separately, the Commission has decided to renounce 40 per cent of its DM175m (£71m) loan to Klöckner-Werke, the troubled German steel and engineering group.

It is now waiting for the German company to sign an agreement to cut this year's production by 20 per cent in crude steel, and from 4.2m tonnes to 3.7m tonnes in hot rolled products.

Once confirmed, the decision will allow Klöckner, which has been fighting bankruptcy, to go ahead with a debt rescheduling deal involving all its creditors. Commission officials claimed yesterday that the German company's plans were in line with the EC's calls for capacity cuts across the whole Community industry and did not amount to special treatment for Klöckner.

Mr Van Miert's letter to the Italian government is the latest in a tense exchange between Brussels and Rome. Mr Savona wrote to Mr Van Miert after an industry ministers' meeting two weeks ago to voice his concern at the commissioner's analysis of the Ilva plan. Iri, the Italian state holding company, had only submitted the new plan three days earlier.

But in his letter Mr Van Miert confirms his original opinion that the Ilva plan involves Ecu4bn (£3.2bn) of state aids. he says such subsidies will have to be accompanied by up to 3m tonnes of capacity cuts, if the plan is to fit into the EC package. The Italian authorities say they are happy to go along with the EC steel plan, but deny that subsidies are involved.

A Commission spokesman said yesterday that the letter was neither a criticism of the Ilva plan, nor an ultimatum, but he added: "It's based on certain observations and a serious analysis. If we don't have a quick solution, the whole EC plan will be in jeopardy."

Mr Van Miert wants member states to decide on a series of controversial aid-and-restructuring cases involving the Italian, Spanish and east German steel-makers at a special meeting of industry ministers in July.

Polish PM seeks to avert crisis

THE Polish prime minister, Ms Hanna Suchocka, met Solidarity trade union leaders yesterday in an eleventh-hour attempt to prevent a general strike, Reuter reports from Warsaw.

The negotiations produced no early sign of a breakthrough to head off Solidarity's threat to call a nationwide walk-out if the government fails to make a deal with teachers and health workers who are already on strike for more pay. The government has repeatedly said it cannot meet the strikers' pay demands and although one official said the two sides had agreed to set up a joint team to review some issues, a Solidarity leader said the talks were "difficult".

Ms Suchocka has said she cannot meet the strikers' pay demands because of tight budget restraints under an agreement with the International Monetary Fund. "If the negotiations fail, the union will oblige its parliamentary deputies to file a motion for a [parliamentary] no-confidence vote against the cabinet," the Solidarity chairman, Mr Marian Krzaklewski, said before the talks began.

Solidarity's national commission is expected to meet today to decide whether to go ahead with a general strike and demand a parliamentary no-confidence vote.

Ms Suchocka called on Monday for a truce with her political rivals to prevent a crisis over the two-week-old wave of strikes.

The appeal has so far received a cool reception. Mr Aleksander Kwasniewski, a leader of the Democratic Left Alliance of former communists, said: "The speech resembled a meal that is well presented, but has no taste."

Denmark's countryside bears witness to Brussels subsidies

Bountiful EC set to harvest farmers' vote

By Hugh Carnegy and Hilary Barnes

THE Danish countryside, bathed in brilliant sunshine, looked as picture-perfect yesterday as the country's political parties liked to portray it in their stirring television campaigns for the referendum on the European Community's much-battered Maastricht treaty.

The rolling fields and woodlands of Sjaelland wore a hundred shades of spring green, splashed with the vivid yellow of oilseed rape, the EC's most fashionable subsidised crop. Red and white Danish flags flew over many of the typically immaculate farmsteads, not because it was a special day but because it is a popular Nordic custom to fly the national emblem.

In fact, if you looked closely, there was a blemish. Here and there, a weed-ridden, untended field testified to that other EC farm policy, the set-aside scheme, which pays farmers not to till some land in an effort to curb overproduction.

Nor are Denmark's farmers as pleased by the prolonged spell of warm weather that has had Copenhagen's street-side cafes and bars overflowing with happy customers this month. The rape crop has grown to only about two-thirds of its normal height at this stage of the season and a repeat threatens of last year's drought-hit low harvest.

But in Dalmose, a small farming village 95km southwest of Copenhagen, there was at least anecdotal evidence that neither the recent painful adjustments of the EC's agricultural policies, nor the weather, would break the loyalty of Denmark's farmers to a Community that has been bountiful to them since the country joined in 1972.

In the first referendum last June, when Denmark voted narrowly to reject Maastricht, most farmers voted Yes. Smiling at the suggestion that she had voted No this time, Mrs Karen Petersen, a farmer's widow, replied: "Of course not. We farmers here will all vote Yes."

At the polling station in the village school, Mr Niels Pedersen, the official in charge said that by mid-morning, the number of those who had already voted was ahead of last year at the same stage, suggesting, he said, a big overall turnout.

The ballot papers were simple. Startlingly so, given the complexities of the Maastricht treaty itself, and the subsequent "opt-outs" granted to Denmark by its EC partners in Edinburgh last December so that its embarrassed leaders could go back to their people for a second poll.

Voters, who, after two campaigns, were proclaimed credibly enough by Prime Minister Poul Nyrup Rasmussen to be the best informed on the subject in the EC, simply had to place a cross in the Yes or No box. The only reference to what they were voting on was a notice at the polling station entrance stating blandly that it was a referendum on parliament's approval of "the Edinburgh decision and the Maastricht treaty".

Most campaign-weary Danes, whether they voted Yes or No, must have one thing in common this morning: a heartfelt wish that there will be no more referendums on Europe for a long time to come.

All except the schoolchildren. As most polling stations are in schools, the Maastricht kerfuffle has to date meant two extra holidays for the majority of pupils.

Landmarks in European co-operation

1957
Treaty of Rome establishes European Economic Community: Belgium, France, Italy, Luxembourg, Netherlands, West Germany

1962
European Commission proposes European monetary union without success

1970
Heads of government adopt "Werner plan" for European monetary union but have to abandon it

1972
'Snake' exchange rate mechanism set up as Bretton Woods system begins to break up

1973
Denmark, Ireland and United Kingdom join Community

1979
European Monetary System (EMS) starts operation, but goal of European monetary fund unfulfilled

1981
Greece joins Community

1986
Single European Act signed. Single market to come into force January 1993. Portugal and Spain join Community

1990
Rome summit: start of intergovernmental talks on European monetary and political union. German unification

1991
Maastricht treaty agreed by member states, sets out timetable for economic and monetary union

1992
Maastricht treaty rejected in Danish referendum by 51 per cent to 49 per cent, but approved in Ireland and France

Exchange Rate Mechanism turmoil: Italy and United Kingdom suspend membership, raising doubts of ERM/EMS future

Yesterday
Denmark voted on Maastricht treaty, with opt-out clauses as agreed at last year's Edinburgh summit

What's at stake in the Maastricht treaty

Political union
- Inter-governmental foreign and security policy "which might in time lead to a common defence"
- European citizenship
- More extensive social policies (not applied to UK)
- Central role for principle of subsidiarity (decision-making close to the people)
- Inter-governmental framework for justice and home affairs
- Modest increase in powers for European parliament
- Upgrading of court of auditors

Economic and monetary union
- Commitment to economic and monetary union by 1999 for countries which fulfil economic criteria
- Increased pressure for countries to keep exchange rates stable in the European Monetary System
- Cohesion fund to help poorer countries
- European monetary institute to be set up in 1994 as forerunner to European central bank

Search for key to unlock Community

David Gardner on how last Danish vote has hamstrung Brussels

Danish referendum

EVEN with a vote by the Danes in favour of Maastricht, the European Community faces a struggle to break free from the sort of Euro-gridlock in which it has been trapped since Denmark first rejected the treaty last June.

So, at least, conclude surprising numbers of top officials in Brussels, who fear that little will be achieved by the new, two-year Commission which started work this January.

"We are in the doldrums," says one senior Commission official, harking back to the fabled "Euro-pessimism" of the 1970s and early 1980s, when the EC was becalmed – until the integrationist winds of the single market programme, the reform of EC finances, and German unification, sped the Community towards the Maastricht treaty on monetary and political union.

The delays in Denmark and Britain in ratifying Maastricht, plus the constitutional challenge to the treaty in the German courts, have left the EC in limbo. "We are simply blocked," a top trouble-shooter at the Commission complained recently. "We can make no statement or proposal which might in any way affect ratification." He and his colleagues hope a Danish yes will revive confidence and activity.

Brussels has been operating under a self-denying ordinance since last June. But the second half of last year was no less frenetic for that, dominated by crisis management as the exchange rate mechanism linking EC currencies was sundered by speculators betting against the feasibility of the economic and monetary union (Emu) plan at the heart of Maastricht.

December's Edinburgh summit, against heavy odds, secured: a deal on an expanded EC budget; a truce in the power struggle between Brussels and the larger member states; and, after all manner of legal pirouettes, a formula allowing the Danes to put Maastricht in a new wrapping for yesterday's referendum.

Shortly afterwards, a Commission with seven new faces among its 17 members was named for this year and next – half the normal term. But since then it has all but gone underground.

After the marathon of 282 measures needed to create the single market, a fall-off in legislative output was expected. But so far this year Brussels has produced only "communications" – something between a White Paper and a wish-list – and tinkered with regulations. Bold ambitions to fill acknowledged gaps in the single market, like the liberalisation of telecommunications, energy and postal services, have been watered down and/or pushed into the future.

The Commission is the legislative engine of the EC, with sole right to propose laws, which then only the council of ministers can decide, sometimes with amendments from the European parliament. When the Commission is hamstrung, so is the Community.

Mr Jacques Delors, Commission president, was lambasted for the anaemia of the Brussels work programme for 1993-94, when he presented it to the parliament in February.

This year's legislative programme is dominated by 194 "pending" measures, long stranded in Council after sharp encounters with intractable national interests.

The current Danish presidency of the EC, precisely because of the trouble it has had persuading its voters that the EC can meet their social and environmental concerns, has been trying to prise free two measures.

It is pushing for agreement by next month on: the European Works Councils directive, blocked by the UK, which would oblige supranational companies to consult their workers on jobs changes, new technology and investment, and relocation decisions; and the carbon/energy tax to combat global warming. The Commission and half the member states regard the tax (which would rise to $10 per barrel of oil equivalent by 2000) as indispensable if the EC is to meet its commitment under the Rio Climate Change Convention. This requires it to stabilise carbon dioxide emissions at 1990 levels by 2000. Five more states have grudgingly accepted the principle of a tax, but Britain remains strongly opposed.

Both these measures are Commission flagships, but Brussels has been able to do little more than urge them along, and await the outcome.

But there are still other obstacles tightening the Euro-gridlock, and blocking any quick movement out of it.

This Commission was appointed for two years, in part to synchronise it with elections to the European parliament in June next year. The latter will have the right under Maastricht to screen appointed commissioners formally. The treaty also gives it near equal say with the council in shaping those EC laws which are passed by majority vote among the member states.

The parliament is unwilling to supply its "opinion" – mandatory for all legislation under the consultation procedures for non-single market measures – because once Maastricht is ratified its legislative clout will increase. At March's council of transport ministers, for instance, measures on air traffic control, transport infrastructure and trans-European networks all lacked the Strasbourg *avis* needed for them to go forward. "Why should we play ball now when we can play with a bigger ball later," said one parliament official.

However, if the ratification hold-up keeps the Commission inert until the end of the year, it will only be a few months after that, probably in April, that MEPs will take to the election hustings, leaving but a brief window of legislative opportunity. For by June 1994 at the latest, the Twelve will appoint a successor to Mr Delors, moving an already transitional Commission into the lame duck stage, with some officials predicting the replacement of about two-thirds of its members.

Is there a way out of this gridlock? The Commission's recently announced plan for an EC-wide programme to address structural unemployment may be one way forward.

One senior Commission official predicts a leap ahead by Germany, France and the Benelux countries to lock the parities of their currencies soon after ratification. This, he argues, would create a "hard core" for Emu, which the remaining member states wanting to join it could aim at.

On one thing he is certain: "We need, we must have, a rebound, something solid."

Anti-EC sentiment grows in Norway

By Karen Fossli in Oslo

NORWEGIAN opposition to membership of the European Community swelled to 51 per cent this month, up 4 points from April, according to an opinion poll published yesterday in the Conservative newspaper Aftenposten.

Uncertainty over the outcome of Denmark's second referendum on the Maastricht treaty was seen by political analysts as the cause of the rise.

Although Danish approval of the treaty would have little affect on Norwegian public opinion, the analysts said, its rejection would reduce the chances of a Yes vote in Norway's membership referendum, expected in 1995.

The Norwegian electorate narrowly rejected joining the EC in 1972, but Brussels and Oslo began fresh negotiations last month.

Yesterday's poll suggested support for membership had fallen to 30 per cent, from 36 per cent in April, while the proportion of undecided voters had risen to 19 per cent, from 17 per cent.

The survey also revealed that opposition was strongest among women, with just 23 per cent in favour, against 39 per cent of men.

The toughest issues in the current negotiations will be Norway's exclusive right to its rich fishery resources, the role of the state in oil policy, and the extent of participation by state-owned companies in oil and gas licences.

Brussels and Oslo are due to begin negotiations on fish this autumn. Mrs Gro Harlem Brundtland, prime minister, recently pointed out that it was just this issue that left Norway outside the Community in 1972.

Mrs Brundtland also expressed strong disapproval last week of EC plans to introduce an oil and gas licensing directive at a time when the Norwegian government is struggling to convince a resistant electorate of the benefits of joining the EC.

The directive is due to be discussed in Brussels on June 25. Mrs Brundtland warned that if it were adopted without Oslo's influence it would have an adverse affect on the outcome of a membership referendum.

Danes take Maastricht to court

TWELVE Danes have begun a private legal case to try to block the Maastricht treaty, Reuter reports.

The Copenhagen city court has yet to decide whether to accept the case, which challenges the treaty on the grounds that it would enable Community law to overrule the Danish constitution.

Mr Poul Nyrup Rasmussen, prime minister, said the group had no case. But the 12 are hoping to delay ratification of the treaty in Denmark and prevent it going into force throughout the EC.

Mr Rasmussen claimed that Maastricht would make "no changes in the relationship between the constitution and EC law". He added: "A ruling from the EC court which conflicts with the Danish constitution is totally improbable."

Bank move puts Mexico on new path

Damian Fraser on making economic reforms stick

IN A country where few if any institutions limit the power of the president, the decision this week to grant Mexico's central bank autonomy over monetary policy is a historic break with tradition. For the first time in memory, a Mexican president is willingly ceding control over a key instrument of economic policy, not just for himself, but, barring more changes, for his successors.

The immensity of the change has itself bred scepticism, with many doubting that the central bank could withstand presidential pressure in a conflict of wills. But if the bank buckles, it will not be for want of legal backing. The constitutional amendment granting independence, and subsequent regulations governing the constitution, will make the bank as independent as the German Bundesbank or the US Federal Reserve, government ministers say.

The amendment gives the central bank full autonomy over its credit, meaning that the government cannot borrow from the bank to finance its deficits. It gives the bank a governing body that cannot be easily removed, since board members' terms of office will be staggered, and long (probably six to eight years). The bank will be legally bound to pursue monetary policy congruent with price stability.

In the short term at least the constitutional amendment does not imply significant changes in monetary policy – the administration of President Carlos Salinas has never borrowed money from the central bank. Interest rates are set in the market, by investor demand for government paper, supply of paper in the primary market by the finance ministry, and central bank intervention in the secondary market.

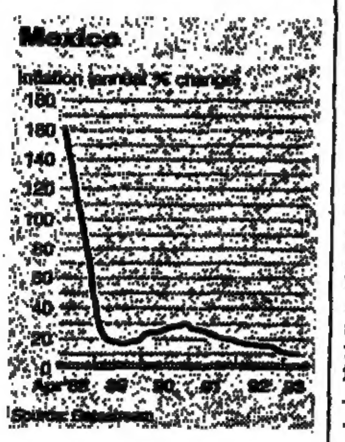
Since the federal government is now running a budget surplus, if it does not like the market interest rate for its debt, it need not offer the paper. But were the government having to finance a budget deficit, it would either have to accept the market interest rate on its debt or instruct the central bank to buy through the market government paper at below market rates. This latter move will now be unconstitutional.

In short, the constitutional change will ensure that in the future monetary policy will be independent of fiscal policy – in contrast to the 1970s and 1980s when fiscal indiscipline provoked monetary expansion and inflation. If the government wants to issue debt it will have to pay the rate the market demands. Monetary policy will thus be geared to price stability and short-term liquidity needs.

A problem might arise when the government's exchange rate target conflicts with the central bank's commitment to price stability. A government official says that, as in Germany, exchange rate policy would remain the prerogative of the finance ministry, but a regulatory law would be drawn up to decide who had authority over policy areas of common interest to the government and central bank, such as banking supervision.

Nevertheless, if conflicts arose between the central bank and the president, some analysts doubt that the bank could prevail. Many supposedly autonomous Mexican institutions, such as the Federal Electoral Institute, or the Supreme Court, have rarely exercised independence.

The government says it has chosen to push through the reform now to consolidate the macroeconomic reforms of the past decade and institutionalise the commitment to low inflation, believing central bank independence has to happen after, not before, stabilisation. Inflation has responded to tight monetary policy and fiscal surpluses, falling from nearly 160 per cent when President Salinas came to power in December 1988 to 10.4 per cent in the year to April.



But concerns over the vulnerable state of the economy will have played their part. Uncertainties over both the North American Free Trade Agreement and the race to succeed President Salinas could yet unsettle financial markets and provoke a run on the peso. The autonomy of the central bank is one way of re-assuring such markets that economic policy is not going to change.

President Salinas will also have the luxury, at the outset, of choosing the head of the central bank and all the other board members – the figure five has been mentioned. There is speculation that Mr Miguel Mancera, who has been head of the central bank since 1982 and who recently turned 60, may soon retire, safe in the knowledge that his long ambition of central bank independence has been obtained.

Brazil's restless military finds favour

Disillusioned Brazilians question the efficacy of democracy, says Christina Lamb

DURING phone-in programmes in the run-up to Brazil's plebiscite last month on its political system, callers would often ask why *ditadura*, or dictatorship, was not an option. Disillusioned by the failure of the country's politicians to deal with pressing social and economic problems, Brazilians are increasingly talking of the military as the only way out.

The word *golpe*, or coup, is cropping up everywhere from leading newspaper columns to pavement bars. This is a remarkable turnround for a people who only a few months ago were congratulating themselves on the strength of their renascent democracy and the restraint shown by the armed forces over last year's street campaign which helped produce the impeachment of President Fernando Collor.

While the Brazilian army is far from sending tanks into the streets, there is undeniable stirring in the ranks – the result of desperation over the squeezed military budget combined with anger at the country's humiliating position as the laggard of the continent.

Senior officers have begun making barely veiled political statements and pointing at Chile in the 1980s and Peru now as examples of how much easier it is to implement reform with an autocratic regime. Last month General Zenildo Lucena, the army minister, warned that Brazil's high levels of social misery were threatening democracy.

In recognition of the gravity of the situation, President Itamar Franco met yesterday with the army chief and three military ministers to hear their grievances, after publicly praising them for "exemplary behaviour in this moment of extreme difficulty".

The meeting follows an inflammatory article by Brigadier Ivan Froto, the airforce commander, in last Thursday's Estado de São Paulo newspaper. Aside from the usual warnings of American designs on the Amazon the article attacked Congress and the executive and described the airforce as going through "the worst crisis in its history" because of government failure to update equipment and keep salaries abreast of inflation.

Brazilians are increasingly looking to the military as politicians fail to deal with social and economic problems

So strapped for cash are the forces that men doing national service are sent home on Thursday nights for the weekend to save electricity. Wages are so low that it is common to see junior officers hitchiking back to barracks and many sergeants have two jobs, working off-duty as mechanics.

But perhaps the real problem is the failure of the military to find a role eight years after the 21-year period during which it ran the country. Brazil has no serious territorial disputes and the high command has been reluctant to involve its men in activities such as combating drug-trafficking for fear of them being corrupted.

At the same time their collective pride has been hurt by seeing Brazil, once the motor of Latin America, constantly referred to as dragging down the continent. One officer said: "What particularly rankled was hearing the Clinton administration describe Argentina as a tiger. And Chile – why we export a whole Chilean economy a year." A document has been circulating among officers praising the "successes" of Peruvian President Alberto Fujimori's government. Mr Fujimori suspended Peru's Congress last year in an "institutional coup".

Moreover the population is increasingly turning on the government and politicians over their failure to combat inflation, poverty, hunger and unemployment. The battered reputation of Congress recently suffered a further blow with the revelation that aid money for alleviating the drought in the north-east was mostly used by congressmen to drill wells on their private estates.

President Franco is on his third finance minister in six months and has shown no signs of being able to control Brazil's 1,500 per cent annual inflation. Mr Carlos Castello Branco, a leading commentator, said yesterday that each successive government was "worse than the last".

By contrast the military has retained its credibility. Their years in power saw the "Brazilian miracle," with growth rates second only to South Korea and very limited repression in comparison with other Latin American countries.

Mr Antonio Carlos Magalhaes, the influential governor of Bahia, said in a recent interview: "I don't want to be an alarmist but imagine what would happen if the military were to say 'let's work to reduce inflation. Let's clean up the administration. Let's end unemployment. Let's reduce poverty and inequality. We'll work for this and we want power.' Nobody could be against these aims – it would set public opinion alight."

The sheer scale of Brazil's problems is doubtless a factor discouraging the military from re-entering the political arena.

But the economic crisis is increasingly provoking law and order problems, such as sackings of supermarkets in Rio and a flourishing separatist movement in the south. Mr Villas-Boas Correa, a political analyst, says: "If the crisis starts to explode I can't see the military staying in their barracks watching."

BRAZILIAN negotiators have reached a preliminary accord with commercial creditors over a new balance of debt conversion options in its "Brady-style" agreement reached in principle last July, according to bankers, Christina Lamb reports.

Creditors have agreed to Brazil's demand to set a maximum of 40 per cent of the $41bn (£26.6bn) debt for conversion into par bonds and a minimum of 35 per cent into discount bonds.

Par bonds are fully guaranteed for principal and 12 months' interest and are the most expensive instrument for Brazil. Discount bonds are also fully secured but are less attractive to bankers because they carry a 35 per cent discount and pay only market interest rates, which are at a historic low.

The next step is for lawyers on both sides to go over the fine print of the debt agreement. Brazil still faces the hurdle of negotiating an accord with the International Monetary Fund to provide money for guarantees.

The latest figures show that the total stock of Brazil's foreign commercial debt has fallen from $44bn to $41bn, partly as a result of payments but also because of large purchases of debt titles by Brazilian banks.

US housing starts rise by 6.7%

By Michael Prowse in Washington

US housing starts rose 6.7 per cent last month and by 13.2 per cent relative to April last year, indicating that the market is rebounding after severe winter weather hit construction in the first quarter, the Commerce Department said yesterday.

The figures follow other signs of stronger growth after the weak first quarter, including a 1.2 per cent increase in retail sales between March and April and a modest rise in industrial output last month.

The rise in starts was broadly based, affecting all regions except the mid-west, where they fell fractionally, and most types of residential property including family homes and apartment buildings. Starts in the northeast, the area worst hit by bad weather, rose 22.5 per cent between March and April.

Building permits – a guide to future construction trends – registered a healthy 5.8 per cent increase last month.

The increase in starts, a volatile monthly series, was reassuring news for forecasters who were disturbed by the weakness of the housing market in recent months in spite of the lowest mortgage rates for two decades.

Most economists are projecting a steady recovery of housing as the summer progresses.

Even after last month's increase, starts were still running at an annual rate of 1.09m, 6 per cent below the average level in the fourth quarter of last year and lower than would be expected in a normal economic recovery.

Argentina turns down IMF request

By John Barham and Stephen Fidler in Buenos Aires

ARGENTINA'S central bank has rejected International Monetary Fund demands that the government take measures to curb the heavy inflow of capital.

A Fund mission in Buenos Aires has expressed concern at the heavy volumes of capital flowing into Argentina because of its economic liberalisation and strong growth. About $8bn in private capital entered the country last year, a figure likely to be repeated this year.

Mr Roque Fernandez, president of the independent central bank, said IMF officials had called on the government to impose "marginal reserve requirements to put a limit on capital inflows. We do not think this is a good idea. If capital inflows are too great, interest rates will decline sufficiently for [capital] not to come."

Under Argentina's 1991 convertibility law, the central bank can only print local currency if it is fully backed by gold, hard currency and a limited amount of government securities. This means that capital inflows are immediately monetised. The monetary base rose to $12.2bn in March, compared with $9.2bn a year earlier.

Economists have warned that the heavy capital inflows, threaten to stimulate excessive consumer demand.

Chile, the first Latin country to begin implementing free market economic policies, has revalued its currency to discourage capital inflows. Argentina's capital inflows are financing a heavy current account deficit of $8bn a year, which is leading to concern over the sustainability of its reforms.

Mr Fernandez rounded on the IMF saying: "Either we believe in market prices or we do not. It is not consistent to look for restrictions at a time when we are integrating Argentina with the rest of the world."

Latin American buyers in retreat

By Antony Thorncroft

LATIN American art had been one of the few bright spots during the three-year decline in the international antiques market. But in New York on Monday night even this sector experienced difficulties. Christie's auction brought in $8.25m (£5.4m), but half the 64 lots on offer were unsold.

There are still buyers for exceptional works. Rufino Tamayo's vast painting, (almost 4 metres by 14 metres) "América", commissioned by the Bank of the Southwest in Houston in 1955, sold for $2.58m, a record for this Mexican artist. Three other works by Tamayo also sold well.

In contrast only four of the nine paintings by the Colombian artist Fernando Botero, famous for his portraits of fat men and women, found buyers.

Sentiment was not helped when the painting on the special catalogue of his works was withdrawn as a fake before the auction. There was also no buyer for "My dress hangs here", a claustrophobic view of Manhattan by the fashionable Frida Kahlo, which was expected to break the $1m barrier.

The Latin American market is dependent on newly enriched Mexican, Colombian and Venezuelan collectors. The unexpected blip in demand is partly attributable to higher reserves imposed by sellers, and partly to fears about the prospects of their national economies.

Another market which has continued to thrive in the recession is Pre-Columbian art, which started from a low price base. At Sotheby's on Monday an Olmec cylindrical ritual container, dating from the first millennium BC and found at Chalcatzingo in Mexico, sold for $233,500, an auction record.

Japan's trade surplus rises 44% to $10bn

By Robert Thomson in Tokyo

JAPAN'S trade surplus last month rose 44 per cent from a year earlier to $10.25bn (£6.6bn), as the yen's appreciation led to a sharp increase in the dollar value of exports, while imports remained weak.

The surplus with the US rose 22.6 per cent on a year earlier to $4bn, while the surplus with the EC fell 6.4 per cent to $2.6bn, mainly because of a 20.4 per cent fall in car exports that accompanied an increase in local production abroad by Japanese makers.

Apart from a 14 per cent appreciation in the yen over the year, the surplus was fuelled by strong demand from Asian economies for Japanese manufactured goods, highlighted by a 56.3 per cent surge in exports to China.

However, domestic demand for imports has fallen as the economy has slowed, resulting in a 1.7 per cent increase in imports in dollar terms, but, in yen, a 12.3 per cent fall. Mr Geoffrey Barker of Baring Securities said the trend indicates that the economy is "bumping along the bottom".

The Ministry of Finance said the seasonally adjusted surplus was $11.2bn, up from $9.6bn in March, with exports 3.2 per cent higher at $31.5bn and imports 2.8 per cent lower at $20.3bn.

Exports of ordinary machinery were 15.8 per cent higher, as were those of transport machinery, while those of metallic products, in particular steel, were 15.3 per cent higher, thanks to a trebling of orders from China.

Demand from an overheated Chinese economy pushed up Japanese exports remarkably for a range of products. Car exports were six times higher than a year earlier, video camera exports were ten times larger, bus and truck exports were almost four times higher, and chemicals exports more than doubled.

China has become Japan's second largest trading partner, surpassing Taiwan and South Korea and behind only the US, but the rapid increase in exports could create a new area of trade friction. Last month, China had a surplus in bilateral trade of $272m, but that does not include Japanese exports through Hong Kong, which have also risen sharply.

Meanwhile, Japan's wholesale prices fell 0.5 per cent last month compared to the previous month, and were 2.8 per cent lower than the same month last year, the Bank of Japan said. Bank officials said the decline was because of lower prices for raw materials, made cheaper by the yen's appreciation.

Foreign ministers of Argentina and Brazil said yesterday they supported Japan's bid for a permanent seat on the United Nations Security Council as part of overall reform of the council, AP reports from Tokyo. "We told Japan that our countries support its membership..," said Mr Fernando Henrique Cardoso, Brazil's foreign minister. "We also believe it is important to include representation from developing countries, including Latin America."

Strong yen brings Japanese little joy

Michiyo Nakamota sees no early import boost

THE RISE of the yen's value against the dollar has been cited by both Japanese and US officials as a factor that would help stimulate Japanese consumption of imported goods and, in the long run, reduce Japan's $126bn (£82bn) trade surplus.

But so far, for Japanese corporations and consumers alike, the impact of the yen's appreciation this year has brought little to rejoice about.

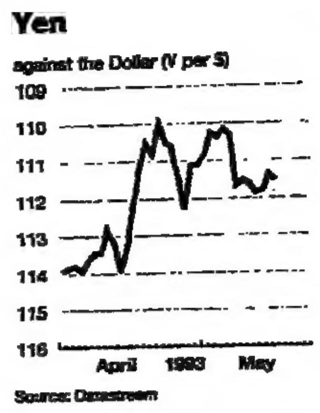
"There are only demerits of *endaka* (the yen's appreciation) but no merits," laments Mr Yasuaki Takano, president of Sanyo Electric, who explains that because utility costs have not come down his company has seen none of the benefits of a higher yen.

In spite of the yen's rapid rise over the past few months, and the fact that Japan imports a large proportion of its raw materials and basic foodstuffs, there is spreading scepticism in Japan whether a higher yen will bring the desired benefits to consumers and importers and eventually help reduce the country's bloated trade surplus.

The yen appreciation has raised calls from industry and consumer associations alike for measures to ensure that the benefits do not disappear in the maze of Japan's complicated distribution system but are passed on fully to end-users and consumers.

The government's Economic Planning Agency has started a survey of imported products to determine whether there is room for price reductions as a result of the yen's rise.

Both the Japan Chamber of Commerce and Industry and the Japan Federation of Employers' Associations are meanwhile looking into price differentials between Japanese and overseas markets.



While the prices of some imported products have been reduced to reflect the higher yen, the impact of these isolated cases is far outweighed by the refusal of the utilities, for example, to pass on the benefits. Oil companies said last week they would cut petrol prices. But in spite of calls from industry leaders and consumer groups to reduce their prices, the big electric power and gas companies have been reluctant to do so.

The utilities say that when planning for this year they based their cost calculations on an oil price of $16.50 a barrel whereas the price of oil is now about $18.50 and has recently been higher. They claim further that any benefits of a higher yen are absorbed by the rise in employee and capital expenditure costs which they must bear regardless of the yen's appreciation.

While it is still too early to determine the impact of the yen's rise on demand for imports, it is thought that it may be minimal. "A 10 per cent appreciation of the yen is not likely to have a visible effect," says Mr Takao Komine of the EPA.

A feeling that the yen's appreciation will do little more than stimulate overseas travel is aggravated by a heightened sense that the cost of living in Japan is much higher than that of other countries. The higher yen increases price differentials between Japan and other markets when prices are denominated in yen.

So the price of a pair of jeans in the US at $50 now appears much cheaper to a Japanese in Tokyo then it did in January – at Y111 to the dollar it is only Y5,550 compared with Y6,200 at an exchange rate of Y124 as the year began.

The overall impact is to create the impression that the higher yen has done little to increase consumers' purchasing power at home.

At the same time, experience has shown that a higher yen does not necessarily lead to lower import prices since the difference often gets lost in the high margins claimed by the many intermediaries in Japan's distribution system.

Reform of Japan's convoluted distribution system and government regulation of industry would go much futher than a higher yen in reducing the cost of living in Japan, Mr Komine points out. As such, in contrast to a higher yen, it would also help reduce price differentials.

The high cost of building a house in Japan could, for example, be reduced by 30 per cent if the distribution and contracting systems were simplified, the Japan Research Institute points out.

Sri Lanka ruling party wins local polls

By Mervyn de Silva in Colombo

SRI LANKA'S ruling United National party has won the largest number of seats in six of the seven provincial councils in Monday's elections.

In the prestige battle for the island's capital Colombo, however, it was beaten by its traditional rival, the Sri Lanka Freedom party of Mrs Sirima Bandaranaike, the former prime minister.

The SLFP led a newly formed left-wing coalition including the communists and the socialists. No polls were held in the war-torn Tamil-dominated north and east.

Mr Sirisena Cooray, the UNP general secretary who is also housing minister, described the national outcome as "a clear vindication" of the programme of President Ranasinghe Premadasa, assassinated by a Tamil "Tiger" suicide bomber on May 1.

"Mr Premadasa's poverty alleviation programme and his new scheme to open 200 textile factories helped the rural poor and gave new hope to the village youth," he added. The murder also produced a wave of sympathy for the populist president who spent most of his time in remote rural areas.

Another killing ten days earlier undoubtedly helped the Democratic United National Front to make a spirited debut. Its leader, Mr Lalith Athulathmudali, a former UNP minister, was gunned down when he was addressing an election rally last month.

Mr Athulathmudali and two fellow ministers had been sacked from the government after their attempt to impeach Mr Premadasa proved abortive.

UN calls for new priorities in development aid

By George Graham in Washington

INDUSTRIALISED and developing nations need a new agenda to make sure that development benefits people, not governments, according to a United Nations report.

Warning that 90 per cent of the world's people are excluded from participation in the economy or in politics, the annual Human Development Report, prepared by economists for the UN Development Programme, calls for development to benefit women, rural dwellers, ethnic minorities and other groups that have been shut out.

"Many of today's struggles are more than struggles for access to political power. They are struggles for access to the ordinary opportunities of life – land, water, work, living space and basic social services," said Mr William Draper, UNDP's administrator, in a foreword to the report.

The report uses a composite index of life expectancy, educational achievement and purchasing power to gauge the level of human development in each country, and warns that income levels do not always equate with human development.

"Several countries – such as Chile, China, Colombia, Costa Rica, Madagascar, Sri Lanka, Tanzania and Uruguay – have done well in translating their income into the lives of their people: their human development rank is way ahead of their per capita income rank.

"Other societies – such as Algeria, Angola, Gabon, Guinea, Namibia, Saudi Arabia, Senegal, South Africa and United Arab Emirates – have income ranks far above their human development rank, showing their enormous potential for improving the lives of their people," the report says.

The report ranks Japan's level of human development highest, ahead of Canada, Norway and Switzerland.

Barbados, Hong Kong and Cyprus are the highest ranked developing countries.

But adjusting for gender disparity pushes Japan down to 17th position because of high maternal mortality rates and wage discrimination.

The report notes that whites in the US would rank first, but that US blacks and Hispanics have lower development rankings than many third world countries, with far worse levels of mortality, education and income than whites.

The report sees some signs of encouragement, however. Global military spending has declined by a cumulative $240bn (£160bn) since 1987, for example, and if developing nations merely froze their military spending at 1990's level, they would release another $100bn over the next decade.

It calls for accelerated disarmament, new patterns of economic development to combat the "jobless growth" that has emerged in recent years, and a pragmatic middle way between the advocates of free markets and of state intervention.

The report calls on industrialised countries to reorient their aid towards the poorest countries and away from high militar spenders.

Human Development Report: published for UNDP by Oxford University Press, Walton Street, Oxford OX2 6DP, UK; or 2001 Evans Road, Cary NC 27513, USA.

RANKINGS FOR THE INDUSTRIAL WORLD

	HDI*	GNP per cap
Japan	1	3
Canada	2	11
Norway	3	6
Switzerland	4	1
Sweden	5	5
US	6	10
Australia	7	20
France	8	13
Netherlands	9	17
UK	10	21
Iceland	11	9
Germany	12	8
Denmark	13	7
Finland	14	4
Austria	15	14

* Human Development Index

Source: United Nations

UN team chief condemns Cambodian factions

By Victor Mallet in Phnom Penh

MR YASUSHI Akashi, who heads the embattled United Nations Transitional Authority in Cambodia, yesterday bitterly criticised Cambodian factions which have failed to co-operate with the UN's peacekeeping mission and warned them not to disrupt the election scheduled for next week.

In a statement issued in the Cambodian capital Phnom Penh, Mr Akashi condemned an upsurge of violence in recent days, including an artillery attack on Siem Reap airport and the assassination of three election campaigners, one from the royalist party Funcinpec and two from the Buddhist Liberal Democratic party.

"In doing our utmost to create and maintain at least the minimum acceptable conditions for the conduct of an election, we have been hampered by the unco-operativeness and outright hostility of some of the Cambodian parties that signed the Paris agreements," he said.

Mr Akashi's attack was aimed at the government in Phnom Penh, which has intimidated voters throughout the country and is blamed for the murder of dozens of opposition party officials, and at the Khmer Rouge, which has threatened to disrupt the election after flouting the Paris peace accords it and the other three factions signed in 1991.

"Any armed attack on voters or polling stations will be considered an act of betrayal against the Cambodian people," he said. "I will recommend to the [UN] Security Council the international community give all support to the new Cambodian government in bringing to justice the perpetrators of such crimes."

Mr Khieu Kanharith, spokesman for the Phnom Penh administration, meanwhile said the government may not launch an offensive against Khmer Rouge guerrilla strongholds if it won the election.

"If we win, and if the Khmer Rouge stay quiet in their zones, we will not take any military action," he told a news conference. "We have more important things to do."

CAMBODIAN ELECTIONS

He also claimed that the Khmer Rouge and Funcinpec had infiltrated 800 agents into Phnom Penh. In the election campaign, which ends today, the government has sought to portray itself as the only party which can protect Cambodians from the Khmer Rouge.

Polling stations in the battleground

Victor Mallet reports from Kompong Cham

TO ORGANISE an election when four-fifths of the polling stations are likely to be within artillery range of a notoriously brutal guerrilla group which has vowed to disrupt the voting would seem like folly anywhere else.

An election, however, is what the United Nations is determined to hold in Cambodia from May 23 to May 28, despite the concern among senior UN election officials that Khmer Rouge guerrillas will attack polling stations with guns, mortars and small arms.

Nervous Cambodian voters can hardly have been comforted by the announcement that the US is sending 6,500 flak jackets, 10,000 helmets, medical supplies and flares for the election workers and monitors, and Australia is providing six armed Blackhawk helicopters.

In Kompong Cham, the most populous province in Cambodia and one of the richest by virtue of its fertile farmland, the difficulties facing the UN Transitional Authority in Cambodia (Untac) as it seeks to bring peace and democracy to a country which has known neither for more than 20 years are all too evident.

Here on the banks of the Mekong river, and throughout the country, Khmer Rouge attacks on Untac and fighting between the Khmer Rouge and the Phnom Penh administration have abated somewhat in the last 10 days.

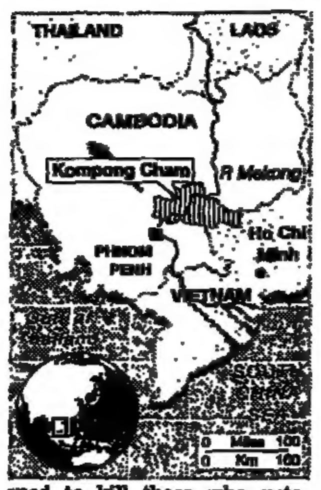
But most Cambodians and western diplomats regard it as an ominous lull rather than a cause for celebration; and even in this climate of relative calm the pot-holed road between Phnom Penh and Kompong Cham is best travelled with an armed UN escort of Indonesian troops because of daily killings and robberies by unidentified gunmen.

Under the terms of the Paris peace accord signed by the four main Cambodian factions in 1991, all soldiers and guerrillas were supposed to have been disarmed before this election, but the decision by the extreme left-wing Khmer Rouge to flout the agreement means that voters will go to the polls in the midst of an unfinished civil war.

The fact that the two military protagonists – the Khmer Rouge and the government installed by the Vietnamese invasion which overthrew the Khmer Rouge in 1979 – are both still heavily armed is dangerous not only for voters and election workers but also for the credibility of the election itself.

On the one side, Cambodian government forces have threatened to kill people who fail to vote for the government's Cambodian People's Party; in Kompong Cham province alone at least 16 opposition campaigners working for the royalist party Funcinpec or for the Buddhist Liberal Democratic Party have been murdered.

On the other side, Khmer Rouge guerrillas – who fear the government will win the election and receive the international recognition withheld for the last 14 years – want to discredit the poll and have threatened to kill those who vote.



In many cases UN volunteers working as district electoral supervisors feel they are risking their lives for an election of dubious validity, and 60 out of more than 400 nationwide have resigned since a Japanese volunteer was killed last month.

Security concerns have forced Untac to reduce the number of polling sites in Cambodia to about 1,500 from 2,200. In Kompong Cham province, which will account for 18 of the 120 seats in the new constituent assembly, UN officials reckon that only 70 per cent of the 703,613 registered voters have a reasonable chance of reaching a polling station.

"I will not say that conditions are there for free and fair elections," says Mr Theo Noel, the outspoken Canadian who is provincial electoral officer for Kompong Cham. "If you talk to General [John] Sanderson [Untac's military commander] he will say everything is okay. It's not true."

Untac has been unable to stop blatant intimidation of voters by the government, and has stood by while Khmer Rouge guerrillas expanded the area under their control. Last year they were present in four of the province's 16 districts; today they are active in 15.

The strongest justification now offered by UN officials and diplomats for pressing ahead with the election is that the alternatives – cancellation or delay – would be worse.

In the words of Mr Noel, it would be "a disaster for the UN and a disaster for Cambodia" to call off the voting. "We have no choice," he says. "If we had an alternative I would never say yes to this."

Yasushi Akashi, Untac chief in Cambodia: UN sees no choice

For all the violence, many of the country's 4.8m registered voters still seem keen to vote. "They are very scared, but they still want absolutely to go to the election," says Mr Noel, although he acknowledges that voters will stay away if the Khmer Rouge does decide to attack polling stations. "The bottom line is that if they have the choice between their life and the vote, they will choose their life."

Pressure mounts for Clinton to recognise Angolan government

By Jurek Martin in Washington

THE CLINTON administration is coming under increasing domestic and international pressure to recognise the Angolan government of President Jose Eduardo dos Santos.

Influential black Americans, including the Rev Jesse Jackson and Congressman Kweisi Mfume of Maryland who heads the congressional black caucus, are urging the step to make it clear to Mr Jonas Savimbi and his rebel Unita movement that renewed fighting in Angola is unacceptable to the US.

Mr Jackson has urged President Bill Clinton to invite President Ibrahim Babangida of Nigeria to Washington to demonstrate the US commitment to democratic reform in Africa. Mr Mfume wants direct talks with Mr Clinton to emphasise the gravity of several African problems.

The case for Angolan recognition, which has strong support inside the State Department, is being given fresh impetus this week by celebrations commemorating the 40th anniversary of the African-American Institute, a private-sector interest group.

Mr Warren Christopher, secretary of state, plans to address the institute, as will President Yoweri Museveni of Uganda. It is possible Mr Christopher will use his speech to make a policy statement on Angola.

Mr Savimbi refused to accept the results of last September's elections, narrowly won by Mr Dos Santos, and ordered the civil war renewed. Last week Unita rejected the latest peace plan offered by US, Portuguese, Russian and UN negotiators.

For many years Mr Savimbi has enjoyed the backing of US conservatives, most conspicuously Senator Jesse Helms, the Republican from North Carolina, who portrayed him as a heroic bulwark against Soviet and Cuban ambitions. Mr Clinton was accused this week by Mr Anthony Lewis, the New York Times columnist, of refusing to take an initiative in Angola for fear of upsetting Mr Helms and his cohorts.

Mr Anthony Lake, national security adviser, who has been turning his attention to African problems, conceded in a recent speech that the US could have reacted more strongly to Mr Savimbi's rejection of last September's election results.

Banda in backdown on ballot boxes

MALAWI'S President Kamuzu Banda has pledged to do everything in his power to ensure the June 14 referendum on whether the country should switch to multi-party rule is free and fair, Reuter reports from Blantyre.

He announced he had accepted a proposal mooted by the United Nations that there should be a single ballot box at each polling station rather than separate ones for Yes and No votes.

Mr Banda's pledge came as Amnesty International said pro-democracy campaigners in the referendum were likely to face attacks, death threats, arrest and prosecution.

"I will do everything to make sure this is a free and fair referendum," the president said. The government had previously insisted that two ballot boxes be used at each polling station, prompting opposition charges that this would make vote-rigging easier.

Pro-democracy activists in Malawi, who had threatened to boycott the referendum if two boxes were used, described Mr Banda's announcement as a "humiliating defeat" for the ruling Malawi Congress party.

Amnesty, a London-based human rights organisation, said in a report that regulations appearing to protect free speech for campaign participants were deeply flawed and ineffective.

"Those who do speak out for multi-party democracy are likely to face human rights violations. Unless the government takes urgent steps to guarantee basic human rights, the referendum cannot be considered fair," it said.

Amnesty has been refused access to Malawi, ruled for 29 years by life-President Banda, after alleging serious human rights abuses there for many years.

It called on the government to protect the rights of participants in the referendum campaign and to release Mr Chakufwa Chihana, a trade unionist serving a nine-month jail sentence for sedition.

NEWS: WORLD TRADE

Gatt sounds warning over EC preferential trading

Frances Williams on how fears of a 'fortress Europe' have proven unjustified as markets become more open

THE European Community's single market programme has generally made its markets more open to foreign trade and fears of a "fortress Europe" have so far proved unjustified, the General Agreement on Tariffs and Trade concludes in its second review of EC trade policies.

However, Gatt's economists remain concerned about the extension of preferential trading arrangements, which apply to three-quarters of EC external trade. The report also warns that economic recession, compounded by problems related to German reunification, eastern Europe and the stalemate in the Gatt trade talks, "has increased the risk that more defensive trade policies will be followed".

The cautiously favourable tone of the report is in marked contrast to the highly critical approach of Gatt's first EC review in April 1991. EC officials, calling the latest assessment "pretty fair", said this reflected trade liberalising developments over the past two years and a less severe attitude on Gatt's part towards preferential trade accords.

The single European market, designed to ensure the free flow of goods, services, capital and labour from January this year, has "improved access, transparency and legal security in many sectors," the report says.

Many national import restrictions, especially on goods from Asia or eastern Europe, have been scrapped. The Community has also taken steps to liberalise a number of industrial sectors – notably telecommunications, pharmaceuticals and coal – by harmonising standards and regulations, reducing entry barriers and introducing competition into previously strictly controlled areas.

In several sensitive areas, however, the picture is less clear cut. In steel, Gatt notes that subsidies have been curbed and voluntary restraint arrangements with the US abandoned. At the same time, "the EC's resolve to defend these achievements is under challenge" from stronger import competition, a "dramatic decline" in domestic demand and deteriorating export markets, exacerbated by countervailing and anti-dumping actions in the US and Canada.

EC import surveillance remains in force and some steel imports from central Europe and Egypt have recently been subjected to anti-dumping duties or price undertakings, the report notes.

Elsewhere, Community-wide restraints have replaced the previous maze of national import curbs, for example on cars, bananas and canned tuna and sardines. The uneasy "consensus" with Japan on cars is intended to provide temporary and declining relief for EC producers until full liberalisation by the year 2000.

However, the new banana import regime is under challenge in Gatt from Latin American producers who face tougher restrictions in the unified market.

EC agriculture in general remains highly protected, with about one-half of farm income coming from price and other supports, according to Gatt. The reforms of the Common Agricultural Policy agreed last year imply a significant decline from 1993-94 onwards in levels of price support for cereals, beef and veal. But while reduced support may cut overproduction and exports, the impact on import demand is less clear. Other subsidised products, especially milk and sugar, "are largely unaffected by the reform package," the report says.

Gatt has similarly equivocal views on the extension of EC preferential trading arrangements to the European Free Trade Association, central and eastern Europe, and Mediterranean countries.

This has led to "a complex hierarchy" of overlapping preferential trading systems within Europe, spreading outwards from the EC to the European Economic Area agreements with Efta countries (except Switzerland), the Europe Agreements with central and eastern European countries and parallel agreements among the Ceecs and between them and Efta members.

While these moves liberalise trade in many products, they depart further from Gatt's non-discriminatory trading principles, the report says.

EC officials counter that less than 30 per cent of imports actually benefit from preferences and that, with trade representing a quarter of GDP, the Community is a more open economy than either the US or Japan.

Easy access to the EC market is seen as vital for eastern and central Europe. Poland, Hungary, the Czech Republic, Slovakia, Romania and Bulgaria sent 75 per cent of their total exports to the Community in 1991, roughly half of which entered duty-free.

Gatt's economists praise the EC for its commitment not to take unilateral action in pursuing trade grievances where multilateral remedies exist (making an implicit comparison with the United States). However, they are concerned about frequent EC recourse to anti-dumping action, and the use of safeguard provisions under the new Europe Agreements which Gatt says may be contrary to international fair trade rules.

The report warns that recent moves to give the executive European Commission more powers in trade policy matters, for example in anti-dumping cases, may increase flexibility but may also make decision-making more vulnerable to short-term pressures and vested interests.

That danger, Gatt argues, makes it all the more vital to conclude a successful Uruguay Round agreement that would put in place a stable and effective framework of multilateral rules and disciplines.

Gatt's governing council yesterday gave a qualified welcome to recent EC trade developments, despite reservations on some individual policies and programmes, Frances Williams writes.

Gatt members broadly agreed that the single market had enhanced market flexibility and improved business opportunities for internal and external suppliers alike. However, there was criticism that the replacement of national restrictions by Community-wide measures had raised external trade barriers for cars, canned fish and bananas.

Defending EC policies, Mr Roderick Abbott, head of international trade policy in Brussels, said that trade with countries outside Europe (excluding oil) accounted for two-thirds of total trade and nearly 70 per cent of EC imports entered duty-free or on best available terms.

EC harmonisation aimed to reduce trade barriers, while the Europe Agreements with eastern Europe were designed to eliminate all restrictions within a specified period.

● Gatt membership has risen to 111 with the accession yesterday of St Vincent and the Grenadines, a tiny Caribbean banana producer.

INFORMATION FROM THE BANK OF ENGLAND

ISSUE OF £3,000,000,000

7¾% TREASURY STOCK 2006

INTEREST PAYABLE HALF-YEARLY ON 8 MARCH AND 8 SEPTEMBER
FOR AUCTION ON A BID PRICE BASIS ON 26 MAY 1993

PAYABLE AS FOLLOWS:	Payment on application:	with a competitive bid	Price bid less £65 per £100 nominal of Stock
		with a non-competitive bid	£35 per £100 nominal of Stock
		Balance of purchase money:	£65 per £100 nominal of Stock payable on 21 June 1993

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 27 May 1993.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.

2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 8 September 2006.

4. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the Central Gilts Office (CGO) Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers will be free of stamp duty.

5. Interest will be payable half-yearly on 8 March and 8 September. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. Interest will accrue from Thursday, 27 May 1993 and the first interest payment will be made on 8 September 1993 at the rate of £1.8632 per £100 of the Stock.

6. The Stock may be held on the National Savings Stock Register.

7. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

8. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

9. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

10. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inspector of Foreign Dividends, Inland Revenue, Lynwood Road, Thames Ditton, Surrey, KT7 0DP.

11. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

Method of Application

12. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Separate arrangements have been made under which gilt-edged market makers may make competitive bids by telephone to the Bank of England not later than 10.00 am on Wednesday, 26 May 1993.

13. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than **10.00 AM ON WEDNESDAY, 26 MAY 1993**; or lodged by hand at the Central Gilts Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than **10.00 AM ON WEDNESDAY, 26 MAY 1993**; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than **3.30 PM ON TUESDAY, 25 MAY 1993.** Bids will not be revocable between 10.00 am on Wednesday, 26 May 1993 and 10.00 am on Tuesday, 1 June 1993.

14. **COMPETITIVE BIDS**

(i) Each competitive bid must be for one amount and at one price expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:-

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

(ii) Unless the applicant is a member of the CGO Service, a separate cheque representing the **PAYMENT DUE ON APPLICATION, i.e. THE PRICE BID LESS £65 FOR EVERY £100 NOMINAL OF STOCK BID FOR**, must accompany each competitive bid. Cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited.

(iii) The Bank of England reserve the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decide that any competitive bid should be accepted (the lowest accepted price). **APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID:** competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

15. **NON-COMPETITIVE BIDS**

(i) A non-competitive bid must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing a **PAYMENT AT THE RATE OF £35 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR** must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) The Bank of England reserve the right to reject any non-competitive bid. Non-competitive bids which are accepted will be accepted in full **AT A PRICE (the non-competitive sale price) EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED**, the average being weighted by reference to the amount accepted at each price and **ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.**

(v) If the non-competitive sale price is less than £100 per £100 nominal of Stock, the amount by which the amount paid on application exceeds the non-competitive sale price less £65 per £100 nominal of Stock will be refunded by cheque despatched by post at the risk of the applicant.

(vi) If the non-competitive sale price is greater than £100 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price less £100 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of allotment letters to applicants from whom a further payment is required will be delayed until such further payment has been made.

16. The Bank of England may sell to applicants less than the full amount of the Stock.

17. The Stock will be initially issued to the Bank of England at a price such that it will not be a deep discount security for the purposes of Schedule 4 to the Income and Corporation Taxes Act 1988. Further issues of 7¾% Treasury Stock 2006 may be at a deep discount (broadly, a discount exceeding ½% per annum) and in certain circumstances this could result in all of 7¾% Treasury Stock 2006 being treated thereafter as a deep discount security. However, it is the intention of Her Majesty's Treasury that further issues of 7¾% Treasury Stock 2006 will be conducted so as to prevent any of such Stock being treated as a deep discount security for United Kingdom tax purposes. Provided the Stock is neither a deep discount security, nor treated as a deep discount security, any discount to the nominal value at which the Stock is issued will not represent taxable income for the purposes of the relevant provisions.

18. Letters of allotment in respect of the Stock sold, being the only form in which the Stock (other than amounts held in the CGO Service for the account of members) may be transferred prior to registration, will be despatched by post at the risk of the applicant, but the despatch of any letter of allotment, and any refund of the balance of the amount paid on application, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque, but such notification will confer no right on the applicant to transfer the Stock so allocated.

19. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the balance of the amount paid on application will, when refunded, be remitted by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned likewise.

20. Letters of allotment may be split into denominations of multiples of £100 on written request to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW received not later than 17 June 1993. Such requests must be signed and must be accompanied by the letters of allotment.

21. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section C of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Thursday, 27 May 1993 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 27 May 1993 shall for the purposes of this prospectus constitute default in due payment of the amount payable on application in respect of the relevant Stock. A member of the CGO Service may also, subject to the provisions governing membership of that Service, surrender a partly-paid letter of allotment to the CGO for cancellation and for the Stock comprised therein to be credited to the member's account. The member who is shown by the accounts of the CGO as being entitled to any Stock shall, to the exclusion of all persons previously entitled to such Stock and any person claiming any entitlement thereto, both be treated as entitled to such Stock as if that member were the holder of a letter of allotment and be liable for the payment of any amount due in respect of such Stock. A member will be entitled at any time prior to registration to withdraw, in multiples of £100, Stock credited to the member's account and to obtain a partly-paid letter of allotment comprising such Stock, and such member shall be liable for the payment of all amounts becoming due thereafter in respect of such Stock unless and until that letter of allotment is surrendered to the CGO for cancellation as aforesaid.

22. The Stock will be issued and sold partly-paid, with a final instalment of £65 per £100 nominal of Stock payable on 21 June 1993. Payment of the final instalment must be sent to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW. Payment in full may be made at any time after sale but no discount will be allowed on such payment. Interest may be charged on a day-to-day basis on any overdue amount which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Stock will render such Stock and any amount previously paid liable to forfeiture. Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 21 June 1993; in the case of Stock held for the account of members of the CGO Service payment of the final instalment and registration of Stock will be effected under separate arrangements.

23. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange in the United Kingdom.

Government Statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

18 May 1993

APPLICATION FORM

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND
I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 18 May 1993 as follows:-

A FOR COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the price bid)
Nominal amount of 7¾% Treasury Stock 2006 applied for: £

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1: £ 32nds

Amount of initial payment enclosed (a), being equal to the price bid LESS £65 for every £100 NOMINAL of Stock applied for: £

B FOR NON-COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the non-competitive sale price as defined in the prospectus)
Nominal amount of 7¾% Treasury Stock 1998 applied for: being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock: £
Amount of initial payment enclosed (a), being £35 (b) for every £100 NOMINAL of Stock applied for: £

C FOR CGO MEMBERS ONLY

CGO PARTICIPANT NUMBER.................... Tel No....................

Name of contact....................

D THIS SECTION TO BE COMPLETED BY ALL APPLICANTS
I/We undertake to pay the balance of the purchase money when it becomes due in respect of any Stock which may be sold to me/us under this application, as provided by the prospectus.
I/We request that any letter of allotment in respect of Stock sold to me/us be sent by post at my/our risk to me/us at the address shown below.
IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).
IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION C, we request that any Stock allocated to us be credited direct to our account at the Central Gilts Office. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the Central Gilts Office Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries on 27 May 1993, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

Date.................... SIGNATURE(S).................... of, or on behalf of, applicant

FT 19/5

PLEASE USE BLOCK LETTERS

MR/MRS MISS/MS	FORENAME(S) IN FULL	SURNAME
FULL POSTAL ADDRESS		
TOWN	COUNTY	POSTCODE

(a) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues". In respect of competitive bids, cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited. In respect of non-competitive bids, cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(b) The procedure for any refund, or further amount payable, is set out in the prospectus.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 26 MAY 1993; OR LODGED BY HAND AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10.00 AM ON WEDNESDAY, 26 MAY 1993; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 25 MAY 1993.

Westinghouse in Czech N-deal

By Andrew Baxter

WESTINGHOUSE Electric of the US has clinched two contracts, worth a total of \$350m-\$400m (£228m-£260m), to supply technology, equipment and services to the partially completed Temelin nuclear power station in the Czech republic.

The signing this week of the contracts ends a 2½-year saga that has turned into one of the most important for western suppliers seeking orders to upgrade nuclear plants in eastern Europe.

Westinghouse said the contracts were the largest yet awarded for safety and performance related upgrades of Soviet-designed nuclear reactors. The customers are the plant owner, Ceske Energeticke Zavody, and the primary plant supplier, Skoda Prague.

They are also the first such orders for a western company for the VVER1000 type of reactors, widely viewed as the Soviet design that approximates most closely to western safety standards.

Overall costs for upgrading the 81 Soviet-designed nuclear stations in Russia, Ukraine and eastern Europe have been estimated at \$10bn. There are 38 VVER1000s in operation or under construction.

Westinghouse was told in September it had been selected to supply a \$220m instrumentation and control (I&C) system to the Temelin plant, which has two units each of 1,000MW, and a month later that it would supply the first core and four reloads of fuel.

But the Czech government only formally announced in March that it would continue construction of the plant.

The I&C system will be manufactured at Westinghouse factories in Pittsburgh and Brussels, with participation of companies in the Czech republic. The fuel will be made in the US but Skoda Plzen, the reactor vessel supplier for the two Temelin units, will join Westinghouse in fuel testing and development programmes.

Equipment suppliers have been pushing western governments and supranational bodies to step up financing for nuclear safety work in eastern Europe. In this case, 85 per cent of financing has come from the US Exim Bank and Belgian export credits, the balance provided by European banks. The Czech government is guaranteeing the loans.

EC urged to curb cement imports

By Ariane Genillard in Bonn

THE GERMAN Cement Industry Federation yesterday urged the European Commission to apply anti-dumping measures promptly against east European cement makers to prevent unfair competition in the German market.

German cement makers, together with other European cement enterprises, last year filed a complaint to the EC against east European producers and are waiting for a ruling from the Commission.

Calling attention to the increased cement imports coming from eastern Europe, Mr Jürgen Lose, head of the federation, said he expected the EC to issue a ruling soon.

Ironically, the largest west European cement makers have been vying to acquire shares of the cement industry in eastern Europe in order to secure cheap production costs close to the Community borders.

In the Czech republic, where the cement industry was the first one to be sold to foreign investors, the Belgian Cimenterie CBR, Heidelberger Zement, Germany's largest cement producer, and Holderbank of Switzerland have bought significant equity shares in local cement companies. Heidelberger Zement is also currently negotiating the acquisition of a cement company in Hungary.

But the German cement industry federation argues that imports from these countries represent unfair competition for cement producers in Germany and is undermining the local cement industry. East Europeans have been selling one tonne of cement at DM60 (£24), while German producers offer their products at DM130-DM140 a tonne.

East Europe exported 5.4m tonnes of cement to Germany in 1992, up 50 per cent on the previous year. German cement producers sold 33m tonnes of cement in their domestic market last year.

The federation wants such imports to be reduced or their increase curbed by higher custom tariffs and quotas. East European producers represented 75 per cent of all 1992 cement imports into Germany.

S Korea wins Norwegian ship order

LEIF HOEGH, one of Norway's biggest shipowners, yesterday announced it had awarded a contract valued at \$106m (£69.3m) to South Korea's Hyundai Heavy Industries to build two car carriers for delivery in the fourth quarter next year, writes Karen Fossli in Oslo.

Hoegh said that the delivered price of the carriers included interest and other costs.

The contract includes an option for a third car carrier.

The shipowner said the carriers would replace two ships which had been sold.

The new ships can carry 6,100 cars and will have flexibility to use capacity for high and/or heavy rolling stock.

Oilseed row costly for UK group

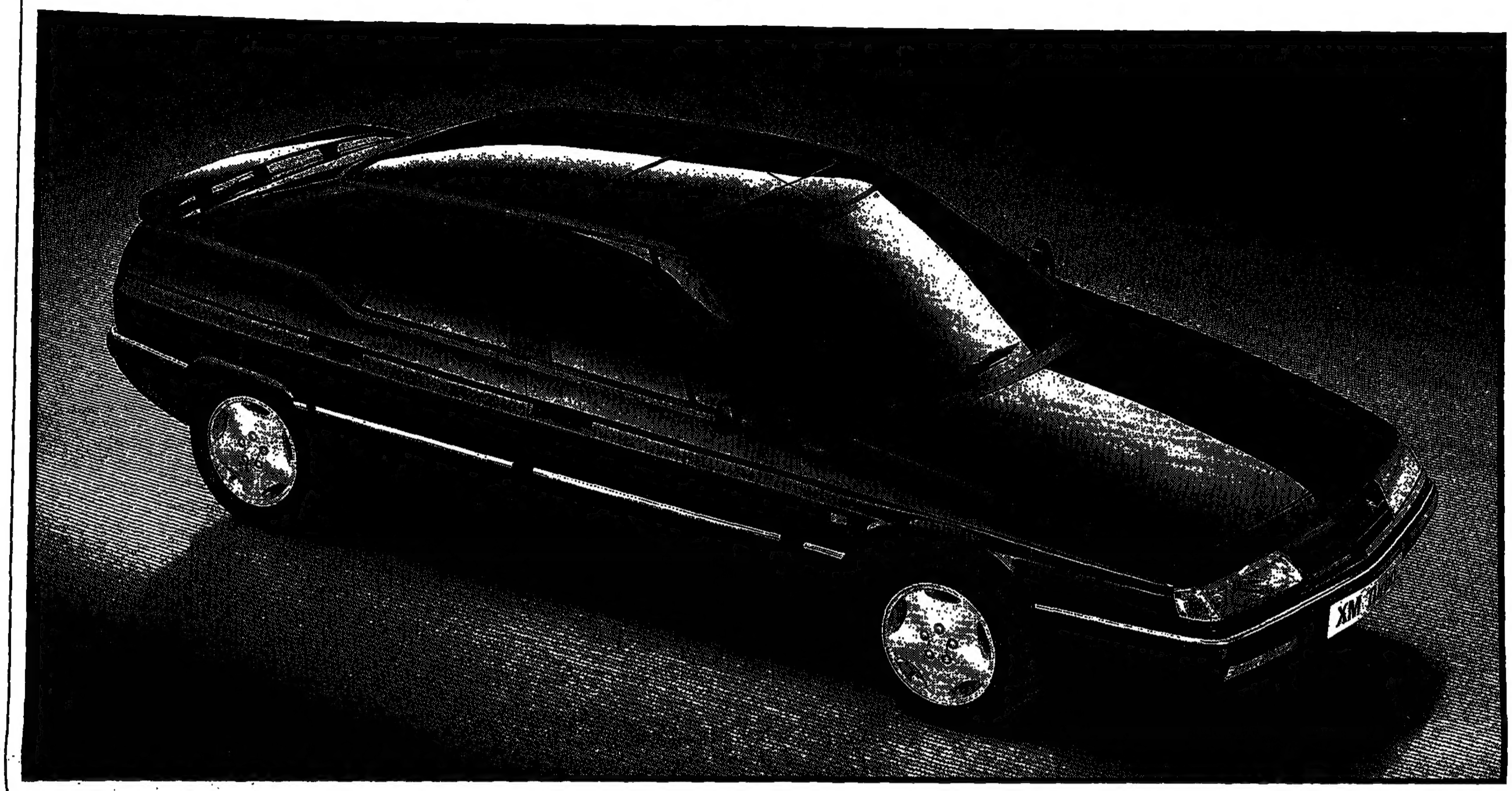
LAST YEAR'S oilseeds dispute between the US and the EC cost Allied-Lyons, the UK food and drinks group, between \$2m and \$3m (£1.3m-£1.96m) in lost profits, the company said yesterday, writes Peter Montagnon. This represents the expense of building up and storing stocks in the US as a precaution against the imposition of sanctions, it said when announcing its results.

Among Allied-Lyons' products that would have been hit was Courvoisier cognac. "Resolution of the Gatt agreement is important to us," said Mr Michael Jackaman, chairman. Allied-Lyons also hoped that European governments would stop penalising spirits when setting duties on alcohol.

هكذا من الأصل

THE NEW CITROËN XM *CT TURBO.*

2 LITRE SENSE. 3 LITRE SENSATION.



Choosing your new company car is one of the more enjoyable executive decisions you have to make.

It's not necessarily one of the easiest, though.

A particular dilemma is the choice of engine size. Ideally, you'd go for a 3 litre car. Perhaps you've already indulged yourself in a test drive and been seduced by the effortless delivery of refined power which characterises engines of this size.

But all things considered – purchase price, tax liability, fuel economy and so on – there's no escaping the fact that a 2 litre car is definitely the more rational, if less exciting option.

2.0i Turbo	£17,745
2.0Si Turbo	£19,245
2.0Si Turbo Est.	£19,245
2.0SEi Turbo	£22,365

Enter the new Citroën XM 2 litre Turbo. Remarkably, this is one 2 litre car which actually has the power to convince you it's a 3 litre.

Unlike conventional turbos, the XM's low-pressure turbocharger produces peak torque at just 2,200rpm. More importantly, thanks to Citroën's Constant Torque (*CT*) technology, maximum torque is maintained right up to 4,400rpm – in other words across the engine's entire range of normal operating speeds.

This gives you the smooth, instant response which, until now, has been denied drivers of 2 litre executive saloons.

This air of calm authority is enhanced by unusually generous equipment levels. Standard features on all four models in the range include ABS brakes, an electric sunroof and integrated alarm/engine immobilisation system.

Experience the remarkable XM 2 litre Turbo for yourself. You will find that for once, common sense produces a far from common sensation.

CITROËN

For more information about the Citroën XM Turbo, please phone free on **0800 262 262** or return this coupon to: Department FTC 356, Citroën UK Limited, Freepost, London N4 1BR.

Mr/Mrs/Miss/Ms Initials Surname

Address

Postcode

Telephone

Current Car Make

Model Registration Letter

Petrol ☐ Diesel ☐ Saloon ☐ Estate ☐

Purchased: Company ☐ Private ☐

Intended Replacement Date: Month Year

CITROËN XM TURBO THE SHAPE OF TECHNOLOGY

Inflation not expected to exceed 4% despite upturn

By Peter Norman and Peter Marsh

BRITAIN'S short-term inflation outlook has improved in spite of a stronger than expected economic recovery in the past three months, the Bank of England said yesterday.

In its latest quarterly inflation report, the Bank said it expects the government's chosen measure of underlying inflation – the retail prices index minus mortgage interest payments – will stay below its target ceiling of 4 per cent this year and next.

The Bank's report avoided giving any policy advice to the government and made no mention of its views on future interest rates. But it made clear that any weakening of sterling after a 5 per cent rise in its trade weighted value in the three months since publication of its first inflation report in February would increase the risk of the target's upper limit being breached.

The Bank said short-term inflation had risen slightly since February. Underlying inflation, when seasonally adjusted and expressed at an annualised rate, was 4.1 per cent in March compared with December last year, it said.

But the report said sterling's recent strength had "lowered slightly" the underlying inflation rate expected for this year and the chances of the year-on-year increase exceeding the 4 per cent limit.

The government's decision to apply value added tax to domestic fuel and power from April next year would probably add 0.4 percentage points to the retail price index at that time and slightly increase the risk of inflation going above the 4 per cent level in 1994.

Earlier, the Central Statistical Office reported that manufacturing output recorded its largest quarterly rise for more than four years.

Although manufacturing production in March fell by 0.3 per compared with February, the CSO said this was largely in reaction to a sharp rise in sugar production in February. Production between January and March was up by a seasonally adjusted 2 per cent compared with the previous quarter and 2.1 per cent higher than in the corresponding period a year ago.

A sharp rise in consumer confidence, reported yesterday by Gallup, the opinion poll company, provided further evidence that the recovery was gathering strength.

Its latest survey of consumer confidence, Gallup recorded its most positive results for a year with 43 per cent of respondents expecting the general economic situation to improve over the next 12 months and only 22 per cent foreseeing a deterioration.

Meanwhile, Mr John Major, prime minister last night pledged to give substance to a new partnership between government and industry by directing government energy towards broadening economic recovery and strengthening the manufacturing base.

In a speech to the Confederation of British Industry he underlined his personal commitment to improving Britain's competitiveness. That meant backing exporters, fostering public-private sector partnerships to improve the nation's infrastructure, promoting free trade and translating scientific research into industrial innovation. He also hinted that, despite Whitehall wrangling with the scheme's private sector backers, the government still hopes to reach agreement on the construction of the £2bn London Cross-rail project.

Mr Major, who had been told earlier by Mr Howard Davies, CBI director general, that business wanted the government to listen to industry rather than to its own rhetoric, said the climate for industry to flourish was now in place.

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Spending watchdog orders ship bid inquiry

By Chris Tighe, Ivor Owen and David Owen

THE NATIONAL Audit Office (NAO), the government's spending watchdog, is launching an immediate inquiry into the bidding duel for a vital helicopter carrier order which has left Swan Hunter, the last shipbuilder in north-east England, facing closure.

The NAO decided on the move yesterday after a meeting between Sir John Bourn, comptroller and auditor general, and Sir Nicholas Bonsor, chairman of the Commons defence select committee. It hopes to report back to parliament before MPs rise for the summer recess in July or August.

One key question for the inquiry will be how the victorious consortium of Cumbria-based VSEL and the Kvaerner Govan merchant shipyard in Glasgow was able to undercut Swan by as much as £50m on the order, believed to be worth about £170m.

The NAO said it aimed to check whether bid procedures were carried out fairly. It said the circumstances surrounding the order were the "kind of thing" it might have looked into anyway, even without Sir Nicholas's approach.

Sir Nicholas said it was "a matter of concern" that Swan was at risk. "It is very worrying. Certain allegations have been made about the way the contract was tendered."

The move came as Mr Nick Brown, the Labour MP for Newcastle East, claimed additions to the original specifications ordered by the Ministry of Defence had forced Swan to add £30m to its original tender giving a final price in the region of £195m to £200m.

He said Swan had been unable to absorb the cost of the additional work as VSEL had been able to do through the "enormous profits" made on the "cost-plus" Trident submarine contract. He looked to the inquiry to reach a conclusion about the level of subsidy in the VSEL bid. "Those in the ministry of defence and higher up in the government never had any intention of allowing Swan Hunter to win the contract," he said.

In a separate move, Price Waterhouse – the receiver appointed to Swan's UK companies last week within days of the order being lost – confirmed they had reached an agreement with the MoD that would permit it to meet this month's wage payment to Swan's 1,750 manual workforce, due this Friday. Under the agreement, work on three Type 23 frigates which are being fitted out by Swan would continue until at least May 28.

University votes for equality plan

By John Authers

OXFORD University's ruling body yesterday voted against creating new professorships, following claims that the move would have discriminated against women. Instead money will go towards lower-ranking readerships.

A group of 79 academics had forced the vote, claiming that the promotions policy was discriminatory because few women were in a position to challenge for professorships. The move was approved by 182 votes to 37.

The university pointed out that the resolution improves the chances of promotion for male lecturers, whose votes had been crucial. "Democratic structures within the university have had their say. The university is committed to equal opportunities," it said.

A national survey published today by the Association of University Teachers finds that that the proportion of professors who are women has increased from three per cent to 4.9 per cent since 1989.

However, it showed that women were appointed to professorships at a later age than men, and were paid on average £1,500 less – £35,760 for men against £34,200 for women.

Opposition Labour party to debate electoral reform

By John Willman and Alison Smith

BRITAIN'S opposition Labour party will take one step nearer electoral reform when its ruling national executive committee (NEC) meets today to discuss a report which proposes big changes to the way in which MPs are elected.

The report, from the working party on electoral systems chaired by Lord Plant of Highfield, recommends sweeping away the current first-past-the-post system used for elections to the House of Commons, in favour of an untried system known as the Supplementary Vote.

Today's discussion will begin a consultation period on the Plant report before further NEC discussion in advance of a decision at the autumn party conference. However it looks likely to open up a new split in the party, already deeply divided over internal reforms such as the loosening of the links with the trades unions.

Mr John Smith, the Labour leader, will be hoping to avoid an open split by putting his weight behind the idea of a national referendum on electoral reform at today's meeting.

But MPs opposed to electoral reform yesterday launched a campaign to retain the existing first-past-the-post system for elections to the House of Commons.

Mr Derek Fatchett, chairman of the group, warned that for a newly-elected Labour government to spend its first year or two on electoral reform would be "Labour's equivalent of a new Maastricht bill", in terms of its divisiveness and irrelevance.

The Plant report says that the present first-past-the-post system of electing MPs fails to reflect the changing nature of British society. It examines three options for changing the UK's electoral system so that the number of MPs from each party more closely reflects party support, without losing the direct link between MPs and constituencies which currently exists.

All three options have left the Conservatives short of an overall majority at the last election and almost certainly have resulted in a minority Labour government supported by smaller parties.

By a narrow majority, the Plant committee recommends that Labour should adopt the Supplementary Vote system devised by Mr Dale Campbell-Savours. This would allow voters to express a second preference which would be taken into account if no candidate won more than 50 per cent of the first preference votes.

Other recommendations in the report include:

- Proportional representation for elections to the European parliament and to the elected second chamber which Labour proposes to replace the House of Lords.
- Taking discretion to call elections away from the prime minister by introducing four-year fixed-term parliaments.
- State funding for political parties, and new restrictions on national spending by parties in general elections.
- A package of measures to improve the electoral process, including steps to register more voters, making postal voting easier, moving elections to the weekend and allowing people to cast their votes for up to eight days before election day.

Labour supporters of electoral reform have already welcomed the move towards electoral reform agreed by the Plant committee. Mr Smith is cautious about electoral reform though he is said to have accepted the case for change.

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Photograph by Tony Andrews

Neil Reif, an apprentice stonemason, taking a tea break yesterday before moving statues into position for the Chelsea Flower Show which is due to open next week in London

Britain in brief

Commission approves aid for Shorts

The European Commission has given the go-ahead for government cash aid to Belfast aircraft company Short Brothers.

The money is to support the company's involvement in the design and development of a new business jet aircraft, the Learjet 45. The Commission said the arrangement was compatible with EC rules on state aids for research and development.

Shorts will develop the largest part of the aircraft and receive aid in the form of 25 per cent of the company's total development cost.

Delta seeks NY licence

Delta Airlines has applied for a licence to fly between Manchester and New York's Kennedy Airport, a route already operated by British Airways and American Airlines.

Manchester Airport said four other new routes were being considered by US carriers. American, which flies daily from Manchester to Chicago and New York, is looking at Miami and Dallas as new destinations, while United Airlines is considering Washington and Northwest Airlines, Detroit.

Timex pickets in court

Thirty-three people appeared in court following the picket-line clashes outside the Timex factory in Dundee on Monday.

All pleaded not guilty to a variety of offences including breach of the peace and police assault. One woman was charged with striking three officers with a van. They were banned from visiting Dundee and ordered not to go within a mile of the Timex factory, where a bitter industrial dispute has been going on for three months.

Auditors back streamlining

The UK's six principal accountancy bodies face the prospect of merger if they follow the views of their members canvassed in a poll conducted earlier this year.

The findings of the survey, which are due to be released today, show an overwhelming majority in favour of "rationalisation" of the profession.

That could lead to greatly increased co-operation and ultimately to the merger of the existing professional bodies, each with their own qualifications and different letters after the names of their members.

Prison officers warn of action

Prison officers have raised the threat of industrial action over the introduction of private management to the state prison service.

Mr John Bartell, chairman of the Prison Officers' Association, said there was a "distinct possibility" that the union's annual conference next week could call for a national ballot on industrial action over privatisation.

Treasury to cost £55m

The cost of running the Treasury in 1992-93 is forecast to be £55.675m, compared with £44.969m. in 1990-91, Mr Anthony Nelson, economic secretary, told the House of Commons.

LONG STRETCH: Australian fast bowler Merv Hughes limbering up yesterday as the touring side prepared for their first one-day cricket international against England. Today's match is the first of a summer series which will include four tests for the Ashes, international cricket's most famous trophy

Electricity demand grows

An acceleration in the growth of demand for electricity over the rest of this decade in England and Wales is forecast by the electricity industry.

The National Grid Company's annual collation of forecasts by the regional electricity companies yesterday pointed to an annual average increase of 1.6 per cent compared to the 1.1 per cent forecast in last year's report.

Council pays compensation

An Asian accountant who claimed he was demoted and forced to take early retirement has accepted what is thought to be the largest settlement made by a local council for alleged racial discrimination.

Mr Lakshman Pardhanani, aged 56, accepted £25,000 in an out-of-court settlement from the Labour-controlled London Borough of Camden after taking the council to an industrial tribunal where he claimed racial discrimination.

Mr Pardhanani claimed that a year after he joined Camden council's works department as finance and data manager his department was restructured and his post abolished.

BT agrees injury deal

BT and the National Communications Union have agreed on an out of court settlement over the case of 11 former data processing officers who contracted repetitive strain injury.

Without admitting any liability, BT has agreed to make payments to the women concerned as well as meet all the union's legal costs. Neither side would disclose the amount of money involved.

Cardiff Bay to 'rival Sydney'

Cardiff Bay in Wales is set to become the most exciting commercial development in Europe, according to Sir Geoffrey Inkin, chairman of the local development corporation.

The £350m committed over a 10-year period, he said, would to take the total invested in redeveloping the city's docklands to more than £1.5bn. "We are creating a maritime city in Cardiff for the 21st century, one that can stand comparison with the leading sea port cities of the world such as Sydney, Hong Kong and Cape Town," said Sir Geoffrey.

City urged to recruit staff from poorer areas

By Robert Taylor, Labour Correspondent

A NON-PROFIT company was launched yesterday calling for "a sea-change in City recruitment culture" by hiring more people from neighbouring socially deprived and high unemployment areas.

Local Recruitment Brokerage is a partnership between the Bank of England, City employers Kleinwort Benson and S.G. Warburg and public-sector bodies, including the councils from Hackney, Islington and the Corporation of London, job centres and the City and Inner London North Training and Enterprise Council.

Ms Jackie Sadek, director of the company, said it was keen to encourage companies to recruit among ethnic communities and women who return to work in Islington and Hackney, north London. But she emphasised it would "never compromise on quality".

As many as 37 per cent of the ethnic community living in Islington have an advanced educational qualification, but only 2 per cent of middle and higher managerial City jobs are held by people from ethnic minorities.

The company, which is to will seek charitable status, will aim to link up financial and City institutions in their recruitment activities with local voluntary and public sector bodies which can find the appropriately qualified staff locally.

Launching the Brokerage, Mr Robin Leigh-Pemberton, the Bank of England's governor, said the Bank was "well aware of the high levels of unemployment, the poor living standards and immense hardship that exists within a mile of the City."

The new enterprise would "offer better employment opportunities for residents in the inner city." He hoped City employers would adopt an enlightened approach to the new company and "discover high quality recruits were on their doorstep".

The inspiration for the new company was a South Bank Polytechnic report two years ago highlighting that City employers did not look at the skills and potential of the workforce on their doorstep, preferring to see the whole of London and the south-east as its employment pool.

More teenagers stay on at school

By John Authers

A RECORD proportion of 16 and 17-year-olds stayed in education in England last year, figures released yesterday by the Department for Education show.

They reveal that 66 per cent of all 16-year-olds stayed in full-time education during the academic year 1991-92, compared with 60 per cent in the previous year, while the proportion of 17-year-olds rose from 43 per cent to 49 per cent.

The government said the staying-on rate had increased "dramatically", and that provisional estimates for this year showed further "leaps" to 70 per cent of 16-year-olds, and 55 per cent of 17-year-olds.

Britain, however, still has one of industrialised world's lowest proportion of 18-year-olds going to higher education – put at 15 per cent in 1988, according figures released by the Organisation for Economic Co-operation and Development.

Among UK students reaching universities, up to 94 per cent stay on to finish their courses. Japanese and German students survive almost as well but a far higher proportion enter universities at 25 per cent and 20 per cent respectively.

Mr Tim Boswell, further and higher education minister, said: "The government has provided funding for a record 25 per cent increase in student numbers in further education over the next three years."

Mr Tony Lloyd, higher education spokesman for the opposition Labour party, suggested the figures were caused by the recession.

He said: "We know, and most parents know, that this is entirely driven by the lack of employment opportunities and a complete lack of faith in the youth training alternatives which significantly have not attracted anything like the same increase in numbers."

Teachers' unions were also unimpressed. Mr Doug McAvoy, general secretary of the National Union of Teachers, said: "With unemployment at around 3m can anyone be surprised that more children are staying on?"

He also attributed rising staying-on rates to the continuing success of GCSE examinations, which replaced the old system of GCE O-levels and CSEs four years ago.

UK outpost faces election test

Tim Coone assesses the hopes of local parties in Northern Ireland

IN South Armagh, one of furthest-flung corners of the UK, the only indication that local elections are taking place in Northern Ireland today are the occasional posters advertising local candidates of Sinn Fein, the political wing of the banned Irish Republican Army.

At the border village of Cullavill, where in the space of one mile one crosses from the Republic, into Northern Ireland and back into the Republic again, a more ominous hand-painted poster proclaims "The barracks buster. Reliable, accurate, effective." referring to the IRA's latest heavy mortar weapon.

Irish flags fly from the lamp posts. Unlike the main roads that cross the border, there are no army checkpoints here. The only indication that one has crossed from one country to another is the better road surface on the UK side.

A few miles further on at Crossmaglen, a fortified police and army post dominates the town's square. A faded British flag flutters over the fortifications. The locals refer to it disparagingly as "the outpost".

Conversation in the pubs centres on the local gaelic football teams. When the subject of politics is broached, most say they are Sinn Fein supporters.

Across the province, some 930 candidates are contesting 582 seats in 26 district councils. As in the general elections, national politics are of little importance here.

What will be tested instead is the balance of power between the DUP and the UUP, the two parties favouring the union with Britain, and between the two nationalist parties – the SDLP and Sinn Fein. The outcome may have a strong bearing on whether political talks over the future of Ulster, abandoned last November, can be put back on the rails.

In the last local elections in 1989, the more extreme of the two sides – the DUP and Sinn Fein, suffered setbacks at the expense of the more moderate and conciliatory rivals. Should that trend be confirmed in today's elections, the expectation is that the British and Irish governments will be able to cajole the main parties back to the negotiating table. A swing to the extremes will make the task much more difficult.

Since direct rule from Westminster was imposed at the height of the province's troubles in 1972, councils have been stripped of most of their powers. They administer cemeteries, garbage disposal and road cleaning, and have some discretionary spending, but have no say in affairs such as health, education, housing and policing.

But even if the moderate parties make further gains today, deep differences remain between the UUP and SDLP on the timing of introducing greater local powers.

The UUP manifesto demands "an immediate restoration of accountable democracy in Northern Ireland – the present system, wherein the most mundane local problem can only be resolved by central government, is both remote and unresponsive."

The SDLP has deep reservations about giving greater powers to local government, outside the framework of a broader political settlement.

"Even to contemplate such a development in light of the continuing unreconstructed sectarian behaviour of many councils is to realise its impossibility," it says.

The recent talks between Mr John Hume, the SDLP leader, with Mr Gerry Adams, president of Sinn Fein, has alarmed unionists who view it as the emergence of a "pan-nationalist front" with the Dublin government.

Sinn Fein, which has been denied representation at the talks on the future of Ulster, has, meanwhile, been told other parties involved in the process that it cannot expect a seat at the negotiating table until they first renounce violence. Today's election results, whatever their outcome, are unlikely to change that position.

But the Loyalist gun attack on the Sinn Fein offices in Belfast on Monday would seem to underline deep-seated Unionist fears of where the political process in Northern Ireland may be heading.

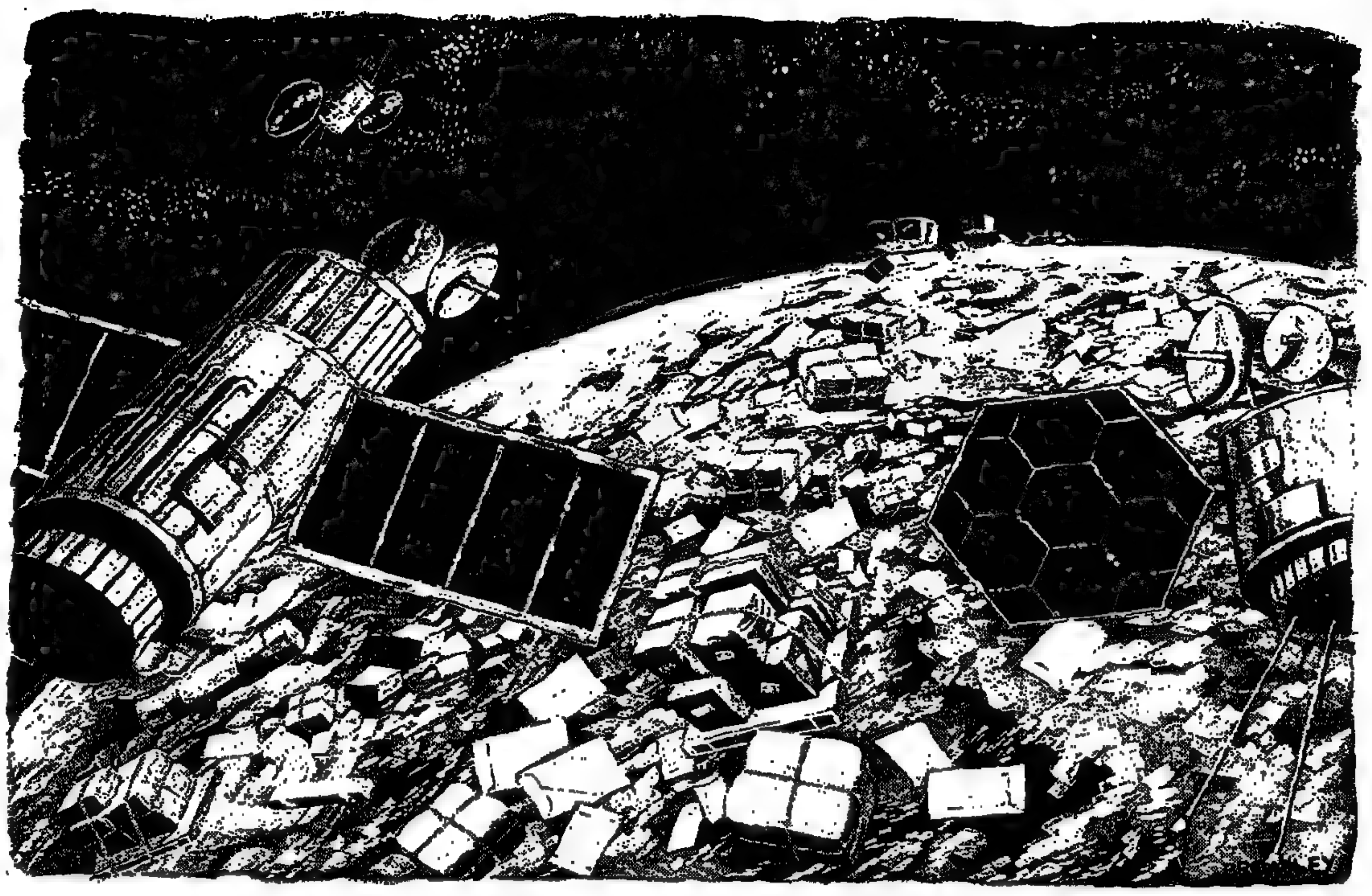
FINANCIAL TIMES SURVEY

COURIER AND EXPRESS SERVICES

Wednesday May 19 1993

Many observers believe the European express market will be dominated by the major groups, which can benefit most from economies of scale, says **Phillip Hastings.** Meanwhile, the amount of investment needed to keep abreast of developments puts profit margins under pressure

It's a global business



THE COURIER and express industry is attracting political attention both in the UK and the broader European market.

In the UK, the government plans to privatise both the Royal Mail parcels division Parcelforce, either separately or as part of a more general privatisation of postal services, and its British Rail counterpart Red Star.

A decision on the nature and timetable of the Royal Mail/Parcelforce privatisation had been expected around now. But Government sources indicated last month that privatisation moves are now unlikely before 1994.

Last July, Mr Michael Heseltine, trade and industry secretary, announced that it was intended to sell Parcelforce as a separate unit. Since then, there has been something of a rethink, and Royal Mail and Parcelforce could be sold off as one unit.

Red Star, though, looks certain to be sold separately from the rest of British Rail, and is likely to be the first significant part of BR to take that route. Among the potential bidders are two groups of current or recent senior Red Star managers.

On the European front, the European Council of Ministers was this month due to discuss a European Commission Green Paper on the future of postal services. The discussions could have considerable implications for future EC courier/express service development.

Meanwhile, the European Commission is investigating courier industry allegations that seven national post offices are abusing EC competition laws and hampering some aspects of their business.

The International Express Couriers Conference (IECC) has complained that the post offices of the UK, Belgium, France, Germany, Finland, Switzerland and Sweden are deliberately slowing down private sector re-mail operations. That business involves courier mail from one country being reposted in the postal system of another to take advantage of cost savings.

Regardless of the truth or otherwise of those allegations, post offices generally are becoming much more commercial in their thinking on the development of mail, courier and express services. Highlighting that trend is the 18-month old joint venture between postal organisation GD Net, the express company established by the post offices of Germany, France, the Netherlands, Sweden and Canada, and TNT Express Worldwide, a private sector operator.

The GD Net/TNT venture helps to illustrate the importance of size and traffic volumes as a factor in the express industry's development. With delivery systems generating substantial fixed costs, any increase in traffic volumes rapidly produces significant economies of scale.

Mr Tony Keating, European logistics director for US-based parcels giant United Parcel Service (UPS), maintains that in Europe, for instance, rates should come down as volumes increase and the industry develops along similar lines to that in the US.

"The traditional structure of parcel groupage and forwarding operations in Europe will, I believe, change just as they have in the US. With this change, I foresee service levels increasing year by year. At the same time, we should see rates coming down from current levels to far nearer the costs of similar movements in the US," he says.

In the light of that likely development, many express industry observers believe the European market will increasingly be dominated by the major groups who can benefit most from economies of scale.

In the last five years, there have been numerous cases of domestic parcels delivery companies coming unstuck while trying to develop their own operations in Europe. But a number of leading domestic express companies still believe they can compete in the European market through partnerships.

One of the most pronounced international trends is the move by major service operators to expand their activities to include more comprehensive logistics activities. The big four global express companies – TNT, UPS, DHL Worldwide Express and Federal Express – now have special divisions or management teams dedicated to developing full logistics services for multinational customers.

This trend is fuelled by the attempt of multinational manufacturers to restructure their logistics activities to reflect the increasingly global nature of their sourcing and distribution activities. Fast, reliable delivery services are often a key component of those operations.

At the same time, express companies are also broadening the scope of their standard delivery services. The express industry is introducing more added-value services, such as inventory management, order fulfilment and expedited shipping programmes for high-value or time-sensitive goods.

But the most significant general area of "added value" service development involves information technology, particularly the establishment of new EDI (electronic data interchange) links between customers, carriers, Customs and other organisations.

Tight operational control and fast reporting of management information is now very much the name of the game, and express operators are investing millions of dollars in new computerised control, tracking and reporting systems.

TNT, for example, earlier this year placed a multi-million dollar order for new computers with Hewlett-Packard. The order involves more than 200 HP 9000 Series 800 computer systems, which will be installed in 35 countries.

Another big spender in the information technology field is UPS. The company has invested about $1.5bn in new IT development over the last few years. This year, it introduced a cellular technology, nationwide mobile data service in the US, which will enable UPS to transmit package delivery information from its 50,000 delivery vehicles for immediate customer access. The system, said to be the largest of its kind in the world, has cost about $150m to implement.

Domestic express companies, too, are investing heavily in IT. Birmingham-based UK national carrier Elan recently spent £2m to improve its own internal systems and provide additional benefits to customers.

In Europe, the pace of information technology and general express industry development is being further accelerated by the advent of the EC Single Market. As manufacturers and suppliers make greater use of centralised warehousing/distribution, they increasingly require fast, frequent, reliable delivery.

Other developments are inspired by the coming of the EC Single Market. They include a renewed focus on the use of road transport. Removal of border controls within the Community now makes most markets accessible by truck within two days. Encouraged by this development, express companies are stepping up their use of roadservices, thereby freeing costly air systems for urgent traffic. TNT, UPS, Emery Worldwide and Air Express International are among the big air express operators who already have such road-based operations and DHL is thinking of joining them.

However, the sheer scale of the investment needed to keep abreast of the latest developments in a fast-changing industry, coupled with the high costs of fixed operational systems, means that operators' profit margins remain under heavy pressure. Even some of the largest operators are incurring big losses in some of their activities.

COURIER AND EXPRESS SERVICES 2

A UPS aircraft takes off: customers have ever rising demands for prompt and distant delivery

Shippers have global aims, says Phillip Hastings

The whole world's in their hands

MULTINATIONAL manufacturers and suppliers are increasingly demanding express services which can distribute their goods worldwide with a standard level of delivery performance.

Fuelling that demand is the now well-established trend for manufacturers to reduce stocks or inventories and produce goods much closer to order.

Confirming those points, a recent World Bank survey of 1,000 global shippers showed companies expected their frequency of annual inventory turnover to rise 60 per cent between in the 10 years to 1996. Order cycle times were expected to drop 40 per cent over the same period, with certain sectors of industry showing even greater changes.

Some electronics companies, for example, have already reduced their average order cycle time from 23 weeks to five weeks over the last 10 years. By 1995, the average order cycle time for the industry is forecast to be down to less than two weeks. Such dramatic changes have important implications for the international express industry.

"As global shippers reduce their inventories and turn those inventories more frequently, they also demand shorter order fulfilment times from their suppliers and quicker delivery commitments from their transportation companies," commented Mr Charles Malone, Federal Express vice-president sales in Hong Kong at last month's Air Freight Asia '93 conference in Sapporo, Japan.

The problem for the express companies and their competitors is that in order to meet those demands properly, they need global service networks. Developing that coverage is so costly that only a small number of operators can genuinely claim to run worldwide delivery networks. Even those companies are now in many cases increasingly developing alliances and partnerships to help sustain such operations.

In line with that trend, Mr John Mullen, chief executive officer of TNT Express Worldwide, believes that in spite of the recent relative calm in the world express industry after a spate of joint ventures and amalgamations, further changes are in the pipeline.

"Rationalisation is by no means over yet. I believe there will be a number of changes on a global scale. There will be more capacity-sharing and better utilisation of assets in the industry, particularly on a regional basis," he says.

TNT itself provides a good example of those trends in action, having formed a joint venture international express company with GD Net, an organisation established by the post offices of Germany, France, the Netherlands, Sweden and Canada, some 18 months ago.

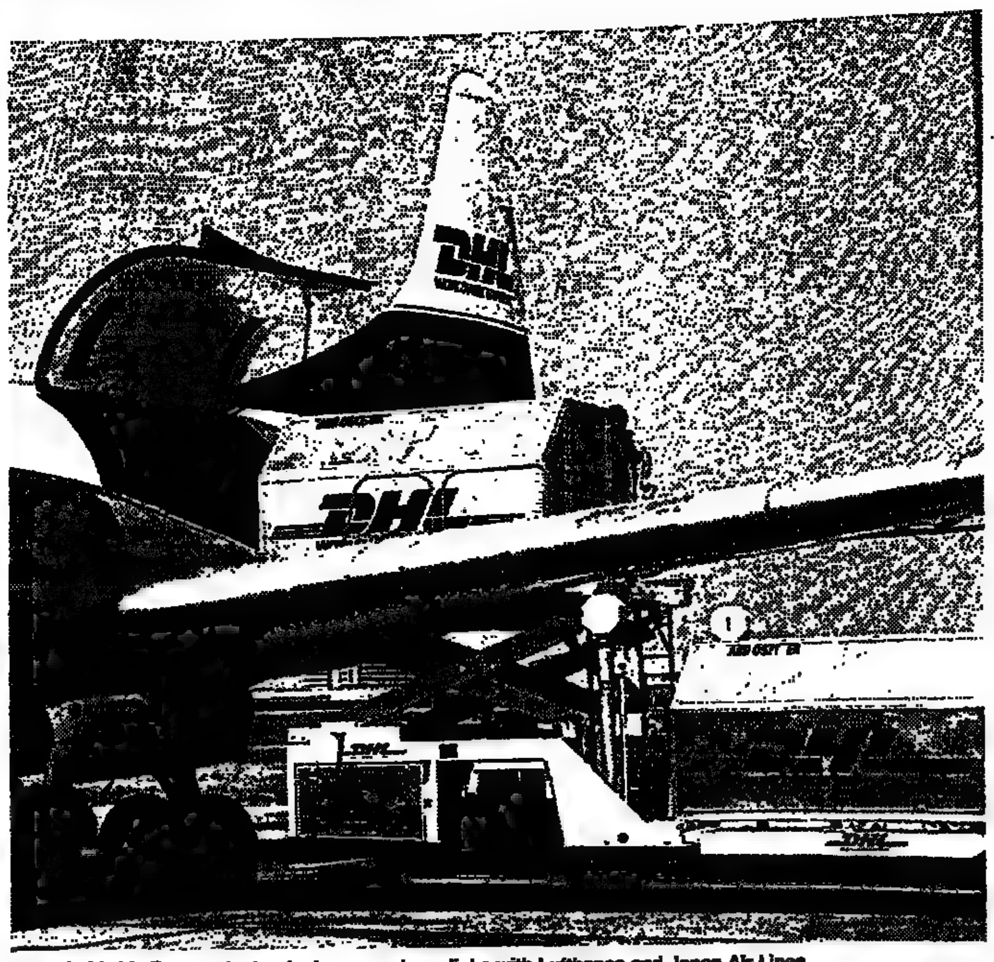
Some electronics companies have cut their order cycle time from 23 weeks to five

Further support for the idea of joint ventures and alliances comes from Mr Klaus-Michael Kuehne, chairman and chief executive of Swiss-based global freight forwarder Kuehne & Nagel.

He says that when studying which markets to serve, forwarders and express companies have to decide whether they can do it on their own, irrespective of the enormous investments required for that kind of venture, or combine the strength and synergies of different service providers in new forms of co-operation.

"One option could be strategic alliances with chosen competitors with clearly defined activities in the field of specific market distribution," he told last year's World Express & Mail Conference in Munich, Germany.

"Another option could be a joint venture forwarder and a cargo-minded airline, with a selected number of competitors or a combination of both, to become a key player in express activities."



DHL Worldwide Express is developing ever closer links with Lufthansa and Japan Air Lines

The most substantial example of co-operation between airlines and express companies, or integrators as they are sometimes known, involves DHL Worldwide Express. It is developing increasingly close links with German airline Lufthansa and Japanese carrier Japan Air Lines which now each hold a 25 per cent stake in the courier/air express company. As part of the same development, Japanese trading house Nissho Iwai has built up a 7.5 per cent stake.

Mr Patrick Lupo, the Brussels-based chairman and chief executive officer for DHL International, claims the company's alliance with Lufthansa, JAL and Nissho Iwai "significantly strengthens our uplift and long haul capabilities and enhances our airport handling capacity throughout the world". Customers, he adds, get access to a much broader menu of services.

DHL is cooperating with big airlines by using its regional networks to reach final destinations

Current examples of co-operation between DHL and Lufthansa include activities at the air express company's recently-established Nordic area hub in Copenhagen, Denmark. DHL has become the anchor tenant, with around 40 per cent of the accommodation, in a new facility developed by a consortium including the German airline.

In a similar vein, DHL plans to become a major tenant of JAL's new cargo facility at JFK Airport, New York. JAL is currently investing something like $100m in what was a former Pan American cargo terminal to make it one of the most advanced facilities in the world.

DHL is co-operating with both JAL and Lufthansa by using its own regional hub and spoke distribution systems in markets such as the US for the onward movement to final destination of freight carried on the two airlines' longhaul aircraft.

Leading forwarders, too, are looking to establish closer relationships with airlines in a bid to compete with the express specialists. But, warns Mr Kuehne, co-operation between airlines and forwarders needs to be improved if such moves are to succeed. The traditional role of the forwarder as an agent of the carrier, fulfilling a kind of sub-contractor function, is no longer sufficient, he argues.

"In future, you will have to offer the best possible service as one product. And that should be a joint product of the airline and the forwarder. It should be developed jointly and offered jointly," he says.

Rather more controversial is the idea that express companies and traditional freight forwarding agents could also benefit from working together on a global basis. Mr Malone of Federal Express said some industry leaders were convinced that agents and integrators would only realise their growth potential by working together as a team to serve global shippers. But there were many others in the industry who did not share that view.

"Some agents feel the integrators are trying to put them out of business, that the integrators are disrupting agents' plans to expand their control and influence on the shippers. Integrators, on the other hand, have invested millions of dollars in service networks to meet new shippers' demands and feel this segment of the business is fair game," he said.

Federal Express, claimed Mr Malone, felt the answer lay somewhere between those different views and that the global shipper could be best served when agents and integrators worked as a service team. But he admitted forging such alliances would not be easy.

■ EUROPE'S SINGLE MARKET OPPORTUNITIES

The roads become longer and clearer

EARLY enthusiasm among express industry companies for the rapid development of their own large European networks has now been replaced by greater caution and an urgent need to keep costs firmly under control.

Recession and the sight of both leading international operators and domestic companies having to retrench after finding it too costly to develop or sustain intra-European networks have had a salutary effect on the industry as a whole.

More positively, the advent of the EC Single Market and the resulting removal of intra-EC border controls has stimulated some new express industry development. In particular, there has been a noticeable expansion of road-based delivery services.

Still to be resolved, though, is who will be the longer term express industry winners and losers in the European market.

Some observers claim only established international operators have the experience and resources to be successful. Mr Bryan Draper, managing director of UK domestic parcels carrier Elan, maintains that in order to offer a total package, express parcel delivery companies cannot serve Europe alone.

"I believe that parcels companies without a full international pedigree are going to receive extremely bloody noses from the guys who are not only there already but who are also geared up for the future with very experienced and wide open eyes," he says.

Other express industry observers and service operators, though, disagree. They believe there is room in the intra-European market for well-organised alliances and partnerships between leading national or regional operators.

Leading UK overnight parcels delivery company Securicor Omega Express (SOE), for instance, has set up its Network Europe operation on that basis. Plans include developing a 48/72-hour road-based cross-border trunking network, sub- contracting most of the domestic pick-up and delivery operations in each country to local operators.

Another UK parcels carrier, Amtrak, recently introduced a new European express road/ferry service called Airtrak Roadlink, operated in conjunction with Continental delivery agents, to join its established European courier and express operations. United Carriers plans to launch a "comprehensive" range of European express parcel services in June as part of a system called General Parcel being established by a group of companies in different countries. And Seabourne Express Group is using the European rail network to develop delivery services to Belgium, France, Germany and Italy.

Meanwhile, Mayne Nickless group UK parcels carrier Parceline is stepping up promotion of its Euroline service which was launched last year to provide 36/48-hour road-based delivery to 14 European countries. A daily trailer runs between Parceline's UK hub at Birmingham and a Continental hub at Boom, Belgium where traffic is fed into the networks of various European delivery partners.

In the bag: BA World Cargo's Kevin Hatton (centre) and colleagues

A key advantage of using such a system, claims Mr Colin Millbanks, Parceline chief executive, is that it keeps down costs. "From day one, we have been able to offer a comprehensive service which is low cost and does not rely on considerable increases in volume in order to get down the conventional cost curve. Consequently, it was immediately profitable," he says.

In fact, Parceline recently cut rates for the Euroline service, although it will not give precise figures. Rivals claim the move reflects the increasingly tough battle for intra-European express traffic. Parceline maintains it simply reflects the economies of scale being gained through increased traffic volumes being handled by the service.

TNT freighters: there has been a noticeable expansion of road deliveries

Either way, the reduction of rates for Euroline fits in with a widely-predicted longer-term trend towards lower prices in the European express market. That point was highlighted by Mr Tony Keating, European director of logistics for international parcels giant United Parcel Service (UPS), when he spoke at a recent postal and parcel services conference in London.

He claimed that rates for overnight delivery of parcels within Europe were still around twice those for similar operations in the United States. But with the advent of the EC Single Market, the gap should start to close.

To make his point, he compared the published full rate tariff for delivering a parcel overnight in Europe, for example between Glasgow, Scotland and Amsterdam, the Netherlands, and over the same sort of distance within the US, say between Indianapolis and Philadelphia.

For overnight delivery by air in the US, a three-kilo parcel would cost around $20 and a 10-kilo parcel $37. And by road, which would give next-day delivery although not next morning, the rates could be as low as $2.80 for the three-kilo item and $5 for 10 kilos.

Border controls have gone and central warehousing and distribution are increasingly viable

Full rate tariff for the Glasgow-Amsterdam overnight delivery, continued Mr Keating, would be around $44 for a three-kilo parcel and $70 for the larger item. Even discounted rates would still be around $30 and $49 respectively.

Main reasons for that disparity, he said, were the huge economies of scale in the US market, greater efficiencies brought about by fierce competition and the wider use of technology like vehicle/computer communications.

"The huge economies of scale are probably the most important factor in this. But as larger operations appear in Europe, I see no reason why these economies should not be achieved over here," commented Mr Keating.

In line with the move to reduce costs for express delivery services in Europe, and boosted by the removal of intra-EC border controls, leading operators are beefing up the development of road-based services to run in tandem with their more expensive air express systems.

Mr John Mullen, chief executive of TNT Express Worldwide, believes there is going to be further substantial upgrading of European road transport operations and more competition. "We are almost certainly going to witness some important entries from overseas, particularly from the US, who view the European road market as a big opportunity," he says.

As if to confirm that point, US airfreight/air express company Emery Worldwide earlier this year launched a new road-based intra-European operation called Cross Continent Service. Initially available within the EC, future plans for CCS include extending the service to cover countries outside the EC, for example in Eastern Europe. That intention reflects a general belief among express companies that developments in Eastern Europe are opening up new opportunities.

For the moment, though, the most immediate stimulus for European express industry development is the arrival of the Single Market. In addition to the removal of border controls, increased viability of centralised warehousing/distribution is generating demand for fast, frequent, reliable delivery systems.

Not all EC developments have been positive for the express industry, though. VAT issues are causing uncertainty and there is concern over the outcome of the EC Green Paper on postal services due to have been discussed this month by European Council Ministers. Express companies want to know how far cross-border mail/express services will be deregulated, what will be reserved for the post offices and how such "reserved" traffic will be designated.

Phillip Hastings

British Rail sell-off will start with disposal of Red Star parcels business

The bidders are gathering

BY late summer the Red Star express parcels business will be under new ownership. The information memorandum giving potential purchasers a comprehensive commercial and operational insight into the business is expected to be available by the end of May.

Once available the sale will be advertised inviting bids for the business.

"We expect there to be a great deal of interest in the sale," says Dr Glyn Williams, managing director of the BR Parcels Group. "I cannot divulge the number of companies who have so far expressed interest but it is likely to be between one dozen and three dozen."

All companies applying for the memorandum will have to sign a confidentially agreement as it will contain sensitive commercial information. Few companies have yet declared a firm interest although press reports suggest that a number of the leading road-based operators will apply for the memorandum. One definite is a management buy-out team including six existing Red Star managers.

Because Rod Star does not run trains the sale does not require any enabling legislation as is the case with the privatisation of other parts of BR. Once the memorandum is issued the sale process is expected to be fairly quick.

The present management team has basically over the past year or so been making Red Star a leaner and fitter organisation to increase its productivity and competitiveness. The emphasis of these changes has been on rationalisation, service improvements and increasing quality to the customer.

Previously comprising four divisions, the BR Parcel Group has been reduced to two: Red Star and the Rail Express Systems. The latter handles the £40m a year contract with Royal Mail.

Red Star previously consisted of domestic and international businesses. The unprofitable international traffic was chopped with the exception of some parcel traffic into Europe and a successful business to Ireland. These are now merged in with the domestic business.

Up to three dozen companies are believed to have inquired about the pre-sale information

Track 29, a division operating a palletised service for heavier parcels was sold to the road agents which handled the collection and delivery last September because it was not making money and needed considerable investment.

"We managed to reduce our losses by massive productivity deals and we have looked very hard at every penny we spend," explains Dr Williams. This involve the loss of some 300 jobs through the last financial year to the present 1,300 and also the number of parcel outlets has been steadily reduced over the past two years from 500 down to a core 250.

These steps have considerably improved the Parcel Group's financial performance. In the 1992/93 fiscal year to the end of March, turnover amounted to £47m. In that year "we substantially reduced the losses incurred by Red Star which for 1991/92 which are more or less on record at being £11m," commented Dr Williams.

"I am not able to tell you the losses in 1992/93 but I can say that they were roughly half at those in 1991/92, so we are making very considerable progress." The exact figures will be in the sale memorandum.

"This has been achieve through very substantial cost reduction," explains Dr Williams. "We have suffered like our competitors and the total market has gone over the last three years because of the recession and we are suffering although our market research does indicate that we are not suffering any more than anyone else. We have managed to maintain our market share of about eight per cent through the recession.

"We have had declining revenues but in the last four or five months it has been fairly flat but I cannot talk about green shoots yet," observes Dr Williams. He is hopeful that as the economy picks up, so Red Star's business will improve. "A one per cent improvement in the economy brings a much more than one per cent improvement in our business", he adds.

Red Star's key advantage over its competitors is its same-day business, be it door-to-door or station-to-station. Dr Williams describes it enthusiastically as "being marvellous, really really good."

Its next day services provide door-to-door options of delivery before 9am, before 10.30am and before 12 noon. There is also a next day station-to-station option. The next day services account for the largest proportion of Red Star's business but same day is the premium traffic, which probably represents a major attraction to potential purchasers.

As part of preparing Red Star for the sale a train space agreement is currently being negotiated with BR to ensure the new owners access to trains, especially InterCity, the cost of access to platforms and to put into longer term tenancy agreements the already existing annual agreements for renting the shops which serve as Parcel Points.

Recession has meant that customers have traded down, moving from same-day to next-day services. In a move to combat this from last October, Red Star introduced completely revised charges which included substantial reductions; increased its sales and marketing activities and introduced a completely redesigned range of corporate and sales literature. The number of area managers was reduced from 26 to 11 and administration streamlined.

As part of the cost cutting review the operation of some 65 road agents handling all Red Star's collection and delivery operations and accounting for 20 per cent of all costs, was reviewed. To improve quality to customers Red Star is working through BS5750 with accreditation due in July for all its sites. This is part of Red Star's total quality management programmes.

Recession has prompted customers to trade down from same-day to next-day deliveries

Further productivity gains could be achieved if investment was made in technology to enhance its existing systems but there is a hold on such expenditure until after the sale. "We would like to spend several million pounds on improving our current technology which would make our operations cheaper to run and on which the payback is excellent", says Dr Williams. There would also be more job cuts.

Two new Parcel Points have been opened this year in Brentwood and Glasgow where business justifies them. Delegation of responsibility down the management lines has also resulted in a number of local initiatives taking advantage of niche opportunities to boost business. "This includes a courier service in Glasgow city centre. For the future Red Star has been talking with BR's European Passenger Services about operating express parcel services using Channel Tunnel train services. There will be a limited space available but same day options at a three hour service from London to Paris or Brussels could open up a whole new business area. EPS will be marketing this space to all operators interested in using it so there will be no exclusivity.

What it does highlight is the emergence of high speed rail services as a growing alternative to air and road based express carriers. With the high speed passenger network developing year by year, the range of rail-based services could develop considerably.

David Robinson

Richard Evans tries to unravel the great UK parcels sell-off mystery

Red tape and sealing wax

THE long term structure of the parcels industry remains unclear following further delays by the government in reaching a decision on how to privatise the Post Office and float off its Parcelforce division.

Mr Michael Heseltine, trade and industry secretary, has yet to decide whether to sell off the Post Office as one unit or break it up into three – the Royal Mail, Post Office Counters, and Parcelforce. No clearly preferred option has yet emerged.

Mr Edward Leigh, the trade and industry minister with direct responsibility for the post office, is a strong supporter of privatisation, but he is understood to have accepted that the measure might have to be delayed until next year or beyond.

The sale of Parcelforce could still proceed without primary legislation, though. Under the British Telecommunications Act, 1981, Mr Heseltine has the power to sell Post Office subsidiaries, but he is thought unlikely to take a decision on this part of the privatisation process until he has decided on the overall form of the sale.

This caution comes as a great disappointment to the senior managers of Parcelforce following Mr Heseltine's announcement last July that he intended to privatise the post office division.

However, two weeks later, Mr Heseltine made a further announcement of a fundamental review of the future status of the Post Office. The two have been inextricably linked ever since and the future seems as unclear as ever.

Mr Heseltine said that financial support would be made available so that management and employees could bid for Parcelforce, but private sector groups have also expressed an interest.

Mr Malcolm Kitchener, managing director of Parcelforce, is

'It is harder to win new business when people know there is a big decision in the offing'

philosophical about the delay, although he would clearly like the uncertainty to end as soon as possible. "We have been in limbo and it has not been an ideal situation. It is unsettling and it is harder to win new business when people know there is a big decision in the offing," he says.

Nevertheless, Parcelforce has held its own in the very difficult trading climate created by the recession. It currently holds nearly 30 per cent of the non-urgent market and about 25 per cent of the total market including express services. This makes it the largest UK parcels delivery organisation with an annual turnover in excess of £500m.

Considerable progress has been made in knocking the organisation into shape for privatisation as, in contrast to the Royal Mail division, with its monopoly in letters delivery, Parcelforce has made substantial losses in the past.

It notched up a loss of £131m in the year to the end of March, 1991 but this was reduced the following year to £24m with a programme of cost cutting, voluntary redundancies and the introduction of high-tech equipment and support services. In the financial year just ended more progress has been made with a reduction of costs of another £14m.

"It obviously gets harder all the time, but we will get there. What we need to do is get on with our business plan as that is where further benefits will come," says Mr Kitchener. He joined Parcelforce from Fisons pharmaceuticals division early in 1991 as finance director and became managing director in August last year.

The business has taken great steps to distance itself from the Post Office and the nationalised image it represents. It began with the setting up of a separate parcels division within Royal Mail in 1986, the change of name to Parcelforce in 1989, and finally the dropping of the Royal Mail prefix entirely last year following success in establishing a separate identity.

Parcelforce makes commercially based payments to the Post Office for the use of its services, such as access to Post Office Counters and delivery to rural areas, and although it does not charge value added tax on its own services, Parcelforce is in turn is unable to reclaim an estimated £12m a year for costs incurred on items such as petrol or overheads.

A five year £250m investment plan was launched last year to upgrade the network of depots covering 23m UK addresses in the UK, the 10,000 strong vehicles fleet, and information technology. It is investing £15m in a high-tech sorting centre at Liverpool due to be fully operational next year.

"Our overall strategy is geared to improving both cost and quality in all areas of our business," says Mr Kitchener. "We have invested in high-tech equipment and have undertaken a restructuring and upgrading of all our services to meet the growing demand for guaranteed next day delivery and one-stop shopping."

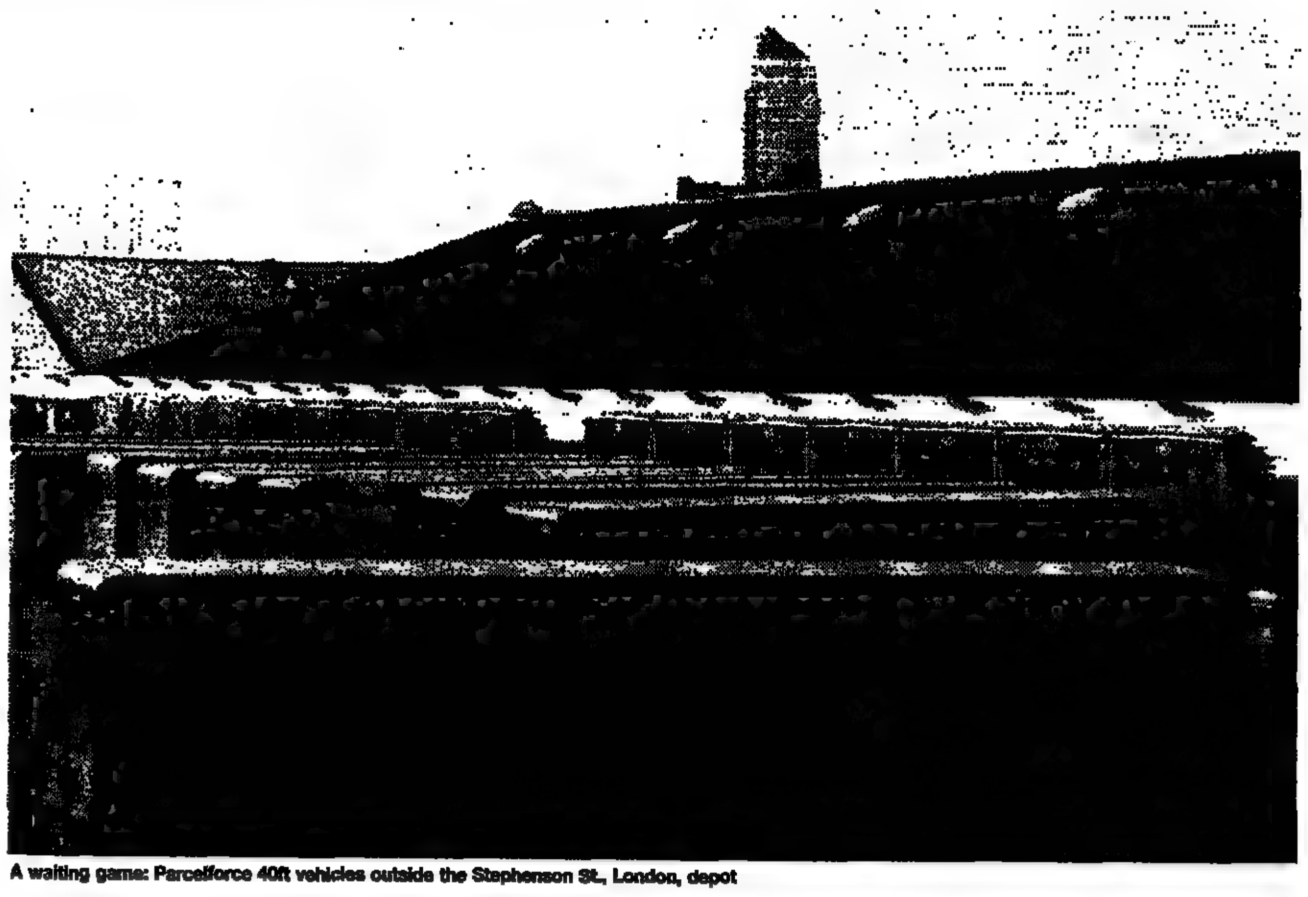
It is the guaranteed next day delivery that has been the weak link in Parcelforce services until now. The organisation delivers over 180m parcels a year, but mostly in the two or three day "non-urgent" market, even though around 95 per cent of customers come from the business sector.

Research shows there is a trend towards time-guaranteed services, and it is estimated that next day services could soon account for over 40 per cent of the market. It is this potentially more lucrative area, at present led by Securicor, that Mr Kitchener is anxious to attack.

At present Parcelforce takes only a small slice of this sector, although volume growth on its next day service increased by 50 per cent in 1992-93, and so far this year it has secured £10m in extra revenue from its 24 hour express service.

It now offers a network of three time-guaranteed services, Parcelforce Datapost, Parcelforce 24 and Parcelforce 48. These ensure delivery by 10am or noon the next morning, close of business next day, or two days respectively.

Mr Kitchener and his colleagues now await some form of privatisation with impatience. They do not believe it would make a big difference to the way the business is already conducted in a highly competitive environment, but it would end the uncertainty and allow business plans to be fulfilled.



A waiting game: Parcelforce 40ft vehicles outside the Stephenson St., London, depot

After a heavy battering, the surviving wholesalers show they still have a role to play, says **Phillip Hastings**

Meaner and fitter after the recession

PREDICTIONS that the expanding global networks of leading express companies and activities by airlines would squeeze out independent wholesalers are proving wide of the mark.

There were a number of significant casualties in the wholesale sector in the late 1980s but surviving wholesalers are now generally expanding.

In line with the overall trend towards greater co-operation in the express and air transport industries, they are increasingly developing partnerships with airlines to sustain that expansion.

Mr Larry Woelk, managing director of John Menzies Group wholesale express company Menzies Worldwide Distribution (MWD), believes that sort of co-operation is the way ahead for independent wholesalers during the 1990s.

"Airlines are increasingly looking to focus on their core business – flying aircraft. An airline can do a deal with us and because we are a wholesaler, we can service the entire agent community," he claims.

Wholesalers work on behalf of a wide range of freight industry companies – from traditional forwarders with a requirement for someone to handle their more urgent package traffic to established courier/express operators seeking a neutral organisation to cover routes where they lack the traffic volumes or presence to handle everything themselves.

Wholesalers tend to fall into one of two categories. The first involves independent companies like MWD which specialise in that particular business. Another is International Bonded Couriers (IBC), a US-based company with a European office in London which specialises in handling traffic for Latin America. The second group involves operations developed by some of the larger international airlines.

British Airways, for instance, has an organisation called Speedbird Courier which has built up a worldwide network of wholesale courier services. British Midland operates similar services within Europe and also has a separate wholesale division for worldwide shipments called International Cargo Marketing. Air France recently consolidated all its express products under one generic name – Air France Express – to highlight its renewed focus on wholesale operations.

It was that sort of involvement by leading airlines which led to suggestions that the days of the independent wholesale express company might be numbered.

However, many airlines have struggled to develop successful express operations and there is a pronounced trend for many to work with outside wholesalers.

For example, the three-year-old wholesale courier/express company Bridges Worldwide already has close links with a number of leading longhaul airlines. The company initially launched services between London, Singapore and Sydney with Singapore Airlines and is now UK agent for that airline's courier products.

Bridges also works with South African Airways for services into Southern Africa, Gulf Air for the Middle East Gulf and Virgin Atlantic Airways for the US and Tokyo, Japan markets.

In the case of Virgin, Bridges is the airline's general handling agent for express products worldwide.

"We work very closely with Virgin and we help them to develop their express products," comments Mr Gary Kendall, general manager for Bridges Worldwide. "All the airlines we work with can take advantage of our worldwide network – for example, we get traffic coming in from India on one carrier which is then transferred on to Virgin flights for onward movement to the US."

Meanwhile, US carrier United Airlines has over the last year developed a wholesale airport-to-door service between the UK and the US in conjunction with MWD. Similar services are now being developed out of Spain, Belgium and France. MWD says it is also talking to "a couple of other international airlines" about developments similar to its partnership with the US carrier.

In Europe, with the advent of the Single Market, the airborne business will benefit from a reduced need for on-board couriers to accompany shipments and to lodge documentation with Customs authorities

Within Europe, the advent of the EC single market is expected to boost regional air courier wholesale operations. Specifically, the business should benefit from a reduced need for on-board couriers to accompany shipments and lodge documentation with Customs authorities.

Mr John Wilson, marketing manager express products for British Airways World Cargo, pointed out that up to the beginning of this year, the carrier's Speedbird organisation used couriers for all European services. Now, he says, it is beginning to dispense with them on some routes out of London, starting with those to Germany and Belgium, and is also planning to increase the frequency of services.

Apart from London, the only other UK airport with international Speedbird Courier services at present is Birmingham which has routes to Milan and Brussels. "In future, we will be looking to open up direct services from places like Glasgow and Manchester to the Continent and also, further down the road, to start bringing in Continental regional airports," he added.

British Midland is taking a similar path. The airline has already dispensed with on-board couriers for its wholesale services between London and Dublin, Frankfurt, Brussels, Amsterdam and Paris. It is launching new direct courier services between points such as Belfast and Amsterdam, Glasgow and Paris and Birmingham and Brussels.

"This month we are also introducing a new product, a sameday priority wholesale courier service from UK regional points like Glasgow, Edinburgh, Belfast, Teesside and Birmingham to the Continental centres we cover, via a transfer at London Heathrow," British Midland added.

However, some general European wholesale courier/express service development is still being slowed down by continuing differences in the way individual EC Customs authorities treat courier shipments. The UK Customs, for example, now allow airlines to send EC-bound courier traffic without an on-board courier, as are their counterparts in Germany, Belgium and the Netherlands. Customs in France and Italy, though, are currently not prepared to make that concession for services which carry worldwide shipments in transit as well as items moving solely within the EC.

"If you take our London-Frankfurt route, for example, that carries both UK-originating traffic and also traffic which has originated in New York and been transshipped in London for onward movement to Germany," pointed out Mr Wilson. "So for the moment, we are going to have to retain on-board couriers on certain flights to cater for that international traffic."

On-board courier service customers hoping that the reduced need for someone personally to accompany EC traffic will cut costs are also likely to be disappointed. Any savings on costs through not using couriers will be counterbalanced by additional ground-handling service and systems costs, warn wholesale courier service operators.

Claire Gooding studies a mobile tracking system that boosts security and reliability

Danger: nervy computer on board

ANYONE stuck in traffic behind a Securicor Datatrak van sees this warning emblazoned on the doors. "Securicor Vehicles are fitted with Datatrak, an automated vehicle tracking system. Should the vehicle be stolen, or unlawfully removed, Securicor will track its precise movements, and will pass that information to the police immediately."

Securicor developed its Datatrak system to track these cash-in-transit vans, to provide continuous automatic real time reporting of location and status.

Between 1988 and 1991 the system was extended to include two-way messaging. Each vehicle has a small computer unit which receives signals from the nationwide transmitter network.

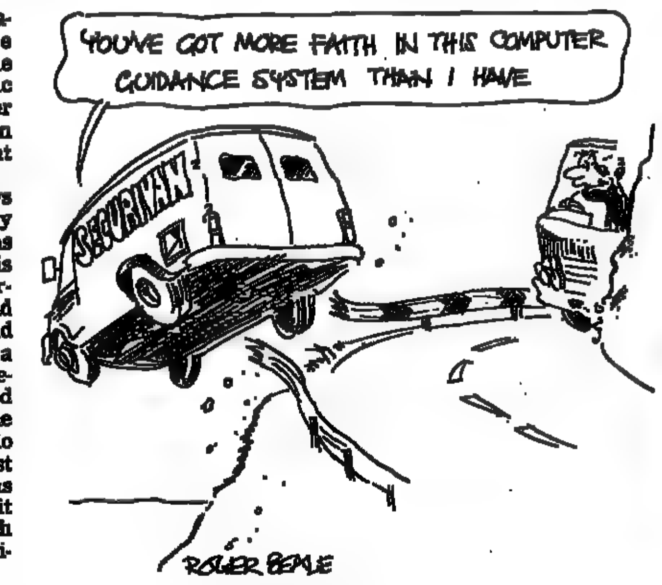
The data gathered is then sent via a network of base stations and displayed on a series of digital maps on a colour screen in the controller's office. Users of the Datatrak service include police, ambulances and London Transport.

The first independent courier operation to use the Securicor Datatrak system was Link Couriers at Heathrow. Dick Temple, Link's founder and managing director, says it helps to fulfil the two things which matter most to courier clients, "speed of response and some feedback on where the parcel is and when it will be delivered".

When Temple first set up in the courier business in Godalming in 1975, communications technology was non-existent, or at least limited to using the customer's telephone to report a delivery. But the 1980s saw great leaps in the technology available: private mobile radio, online databases, even barcoding for monitoring what arrived where and when. Now mobile data and satellite communications are providing increasingly sophisticated systems.

In the last two years, large companies such as Securicor, Parceline and Royal Mail have invested millions on information technology. Countrywide networks have created the infrastructure for Automatic Vehicle Location. Now smaller companies such as Link can benefit from some of that investment.

Temple says he has always been an enthusiast for any advances in communications technology which enable his company to improve its service. Link's fleet of 40 vans and motor cycles handles around 1,000 national and local jobs a week from its Heston, Middlesex base. Temple has moved from tone-only pagers in the 1970s into private mobile radio in the 1980s, and for the last two years, the company has used Band 3 radio, enabling it to take customers from a much wider area than the M25 corridor.



Temple sees Datatrak as a leap ahead of telephone and radio communications. Each of Link's 20 vans now has an antenna and locator unit which enables the controller to see the exact location of vehicles to within 50 metres' accuracy, via a signal that is updated every 108 seconds. (Security companies operate the more expensive eight-second option.)

The chief benefit is the efficient deployment of resources. "In the early days it was acceptable to collect within the hour," says Temple. "Now customers expect 10 to 15 minutes. With this system we can use the closest vehicle. It is also very impressive in giving accurate feedback to the customer who is chasing a consignment on the phone.

"We can paint a picture for them – it's doing 60 mph on the A308, or just about to pass junction X on the motorway."

The console in the van includes a small printer and a keypad. The driver can glance at a message as it is printed out and tap a number into the keypad in acknowledgment. The response is pre-coded signifying, for example, whether the van can accept another job or not.

"The next step", says Temple, "is to have proper two-way messaging rather than the one-way message and confirmation from the driver." Another company, Cognito, is already using two-way data terminals on its own network but without Datatrak's location tracking facility which allows the controller to pinpoint a van on a map.

If a van is stolen, its movements are reported immediately to the police

The hardware in each van costs about £600, (the price has dropped from £1,400 two years ago) with radio charges at about £15 per week per vehicle. The controller uses a Compaq connected to the network, costing about £5,000, and the 20-inch screen used for the map display is an Eizo monitor, costing another £3,000. Link estimates the system costs it around £1,000 per year per van, an expense it can easily justify.

Link drivers are paid on performance, (commission per completed delivery), not on hours worked, so they are happy to use the system, and find it needs the minimum of training.

It is for the user to decide what level of detail is recorded for any one job. For example, Datatrak could solve the problem of policing a large fleet (100 vehicles or more), which might lose a great deal of money if the employees used the vans privately, or claimed unjustified overtime.

Temple is well aware of Datatrak's potential for policing and control, but that's not what interests him. "It's a service benefit. The customer notices the difference because we are able to give realistic collection times. We would build a margin into our estimates previously, but now we can say with confidence that we can be there in 10 minutes."

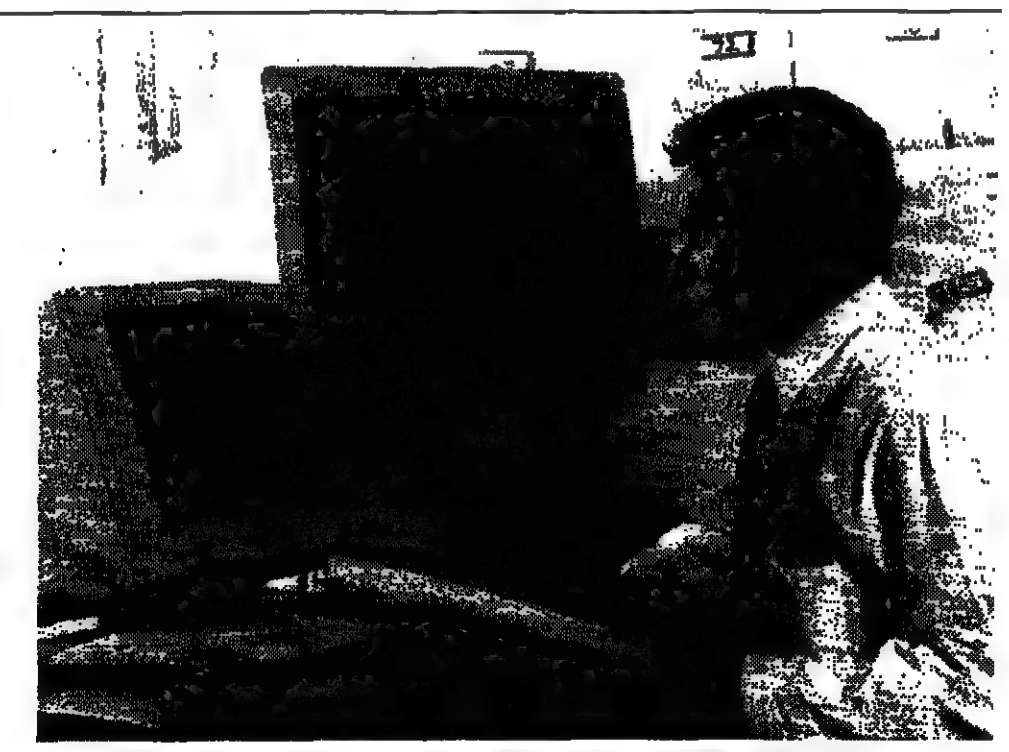
He knows that Datatrak might in time be overtaken by satellite systems, but feels he has picked the right technology for the moment, especially if delivering in urban areas where radio reception can be patchy. He believes that new advances may include voice/data lines, and yet smaller onboard computers, the size of a portable CD system, or even, eventually, a watch. Currently his main concern is integrating his Datatrak system with software bought from Marlow-based Fleetway, which manages booking and charging automatically.

Fleetway provides modular software for administration and online booking, for courier, taxi, delivery and other transport companies. According to Keith Fellowes, group sales manager, Fleetway has 250 users in the UK, and 4,000 worldwide. "Currently we work with both Cognito and Datatrak. This gives users seamless integration making voice-radio contact unnecessary."

Fleetway can use any existing messaging system, but currently finds these two provide the best result. Becky Clark, technical director, sees a largely unexploited market among smaller courier and delivery companies, who, as hardware costs spiral down, can afford to emulate larger companies with online systems. "I reckon that there are at least 8,000 potential customers out there in the UK alone," she says.

Mark Attwood, of Manchester Publishing Company, describes the industry as "paranoid" in the 1980s: "They never talked to one another." His newly launched magazine, *Courier Express*, has a deliberately high IT content, looking at future trends such as mobile data. "The people who have invested in technology early can point to success." He cites two companies as proof: Link Couriers, and Dale Express, a fast-growing Croydon-based company with an unusual "one-consignment per van" operation, which is administered by custom-built software from Fleetway.

"IT should be the key to growth in the future," concludes Attwood." I believe it's an investment in increasing service levels, and research shows that's an issue that rates above cost for most customers."



On permanent watch: Link Couriers (above) of Heston, Middlesex, is the first independent operation to use Securicor's Datatrak service. It enables it to tell clients where their goods are at any time

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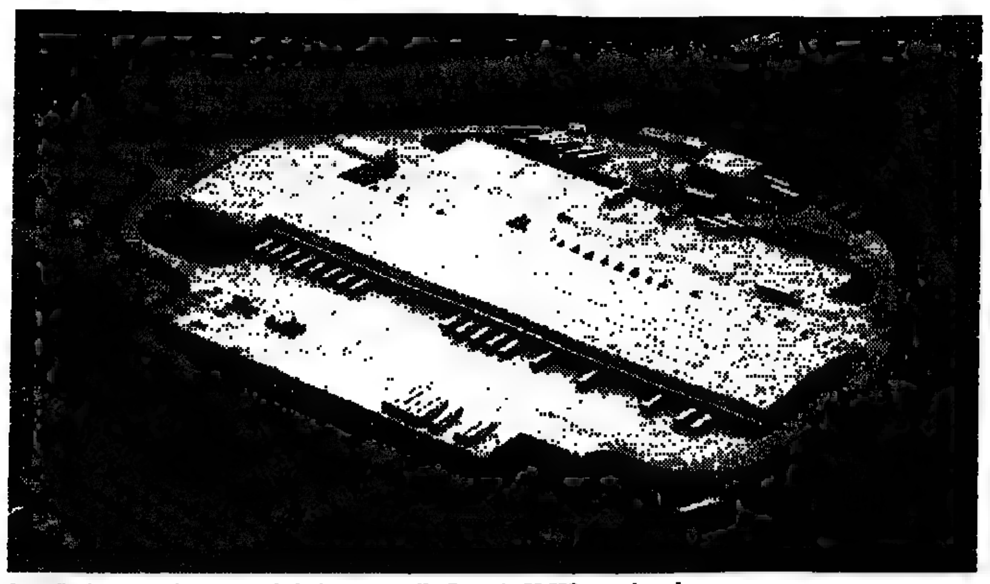


Parceline's Birmingham super-hub that automatically sorts 80,000 parcels a day

■ LOGISTICAL SERVICES

Into the big time

EMERY WORLDWIDE, one of the pioneers of international air express operations, recently announced the formation of a new subsidiary to spearhead its development of worldwide logistics services, writes PHILLIP HASTINGS.

That business could eventually become its biggest revenue earner, says the US-based company.

Together, those two points highlight both the most pronounced current trend in the international express service industry and the reasons for it.

Basically, express companies which initially made their mark by offering a set menu of fast, door-to-door delivery services, are now increasingly focusing on the provision of custom-designed systems geared to meet the often very specific requirements of modern logistics operations.

Manufacturers are developing JIT (Just In Time) logistics systems, for example, like the ability of express companies to control the total door-to-door movement of their goods but want services which precisely meet their requirements.

Reflecting those trends, the world's "big four" express companies – DHL, TNT, Federal Express and United Parcel Service (UPS) – and leading competitors such as Emery and Air Express International (AEI) are all now stepping up their involvement in the broader international logistics sphere.

DHL, for example, is developing so-called Express Logistics Centres (ELCs) in various key markets. TNT and Federal Express already have well-established international logistics divisions, while UPS has set up special logistics management teams all over the world and begun establishing new bonded distribution centres.

Emery's new operation is called simply Global Logistics. Mr Roger Curry, the company's president and chief executive officer, says the Emery name has deliberately been left out of the organisation's identity to reflect the intended broad scope of its activities, some of which will be outside the company's traditional mainstream operations.

Global Logistics' services, he continues, will include warehousing both raw materials and finished goods on behalf of customers, taking material into inventory, maintaining computerised inventory records, updating the customers' computer files, picking from inventory, packing and shipping, and re-ordering when inventory gets too low.

Over the next two years, Mr Curry says value-added logistics services could develop to contribute around 10 per cent of Emery's overall revenues. Longer term, he expects that percentage to expand substantially. "I think we will in future see Emery earning more from that logistics-type activity than from traditional freight services. That is definitely where the future is," he adds.

DHL appears to be thinking along similar lines. Having already broadened its traditional courier image and activities to embrace packages and larger consignments, the company is increasingly promoting its capabilities as a general logistics service provider.

In that context, the company has now established ELCs in Brussels, Bahrain and Singapore, plus a joint venture programme in Amsterdam. Other sites are currently being evaluated.

Mr Patrick Lupo, Brussels-based chairman and chief executive officer for DHL International, says it can take some time for companies to complete the changeover to outsourcing their warehousing from suppliers like DHL. But, he claims, companies which have gone that way, have been pleased with the results.

"Our ELC here in Brussels, for instance, is proving particularly interesting to non-EC entities which have a need to distribute products like high-tech goods, medical instruments and oil industry analysis kits," he adds.

Last year also saw the launch in the UK of a DHL business unit called Interface. Basically, the idea is that Interface team members work closely with specific customers on the development of their logistics operations.

UPS last year established its first bonded European distribution centre – a 6,000 sq metre facility at Best near Eindhoven, the Netherlands – as the forerunner in a series of such developments being planned by that company throughout Europe over the next five years.

The idea is that overseas goods will be brought to Europe by ship or air and held at the distribution centre in bond, under a Customs-approved licence. There, UPS will provide a range of services including warehousing, inventory management and order fulfilment, pick and pack, specialised labelling, assembly and configuration, repair and return systems, and customisation of products for individual markets. Once required in the end markets, goods will be distributed throughout Europe using the UPS air and road network.

One of the main reasons for that sort of service development is explained by Mr Tony Keating, the head of European logistics for UPS. "More than 35 per cent of the total potential package market UPS is interested in is in the hands of the multinationals. Having established that, we decided we had to do more about meeting the requirements of those customers," he says.

Responding to similar demands, Federal Express Business Logistics Europe has expanded its operations with the opening of a new logistics centre near Eindhoven airport. The 5,200 sq metre complex, which is fully bonded, will be developed as "a strategic base for managing and running logistics operations serving global markets as well as supporting other operations in mainland Europe".

One of the most significant recent worldwide logistics sector developments by Federal Express involved a "radical redesign" of the global logistics process for US semiconductor manufacturer National Semiconductor Corporation.

According to Federal Express, the new set-up will give National Semiconductor a two business-day delivery to all its customers worldwide. Previously, its delivery cycles for international customers had ranged from five to 18 days.

While the trend for express companies to develop wider-ranging logistics services is most pronounced in the international sphere, similar developments are taking place in domestic markets.

TNT, for example, has a special contract logistics division in the UK working for a range of clients in industries such as the automotive, electronics and office equipment sectors. Federal Express BLS has a specialised UK division called Systemcare to handle the home delivery of furniture and electrical goods for companies such as Littlewoods and IKEA.

Other domestic express carriers are still concentrating primarily on their established door-to-door delivery operations but are increasingly introducing added-value services where they can or where customers demand them.

■ UK PARCELS POST

Sell-off date approaches

EXPRESS parcel companies are generally cautious about their future.

Most leading UK operators report a small improvement which they expect to continue through the year. Others, however, are enjoying double-digit growth but do not say whether they are discounting or from what base they calculate their growth.

Rate cutting remains rife and there is still a lot of overcapacity. As recovery develops overcapacity will shrink but some executives say that there are still too many companies.

Parcelforce estimates 1992 sales of UK express services at £1.81bn of which some 43 per cent is accounted for by next day services while other guaranteed services command another 20 per cent.

Parcelforce itself has seen its next day volumes grow by 50 per cent during 1992-93.

There is much interest about the fate of the two public operators, Red Star and Parcelforce. Red Star, which has made notable progress towards returning to profitability, is expected to be sold by the late summer. The timing for Parcelforce is less certain.

At Parcelforce, it is a case of "business as usual", says Malcolm Kitchener, managing director. "Our overall strategy is geared to improving both cost and quality in all areas of our business. This involves investment in new depots such as £15m at Liverpool into new vehicles and other technology such as in-cab communications systems. Restructuring is also part of the programme with 50 depots due to be closed as part of a rationalisation programme to save £16m a year."

Red Star reports that business is flat and has been for four or five months. However its budget for this year allows for some growth from the late summer onwards. Of the two, Red Star is considered the more saleable and a more manageable unit.

Reducing costs is one of the key ways in which operators are combating the recession. TNT has rationalised its management and cut its use of subcontractors to save some £6m a year in the UK. It is concentrating on next day services and reducing two and three day operations which have been losing money.

Tom Bell, TNT's UK general manager, says that "order sizes are getting smaller but being sent more frequently. The use of premium services has fallen from more than 50 per cent to 42 per cent in 1992." He forecasts between two and four per cent growth this year.

"There is no shortage of volume in the market but it is extremely cost conscious," says Colin Millbanks, chief executive of Parceline. "Cost is now the main deciding factor with customers in choosing an operator. They are much more prepared to trade off quality against price."

Parceline had achieved a strong financial performance with borrowings down and net profitability up," adds Millbanks. Over the past two years the company has invested some £2m in developing the parcel management system building on its bar coded technology. Quality is being improved, with BS5750 accreditation of the line-haul operation and its national hub being pursued.

Investment in new technology has been one of Securicor Omega Express's key policies through the recession. The company claims to be the UK's largest overnight carrier with an estimated 15 per cent of the market. It has a throughput of 1.6m parcels a week and employs 3,000 vehicles and more than 8,000 personnel through 154 branches.

Some companies have made considerable change in the UK during recession. Lynx, NFC's parcel arm, decided to take the opportunity of Federal Express's withdrawal from domestic operations in Europe to buy their hub at Nuneaton. This has warranted a change from depot-to-depot trunking to a new hub-based line haul network linking the 34 depots nationwide.

"We have improved hub efficiency by 50 per cent which has made a significant difference to our operations," comments Kevin Appleton, Lynx sales and marketing director. "We also installed a freight handling centre so we can provide a full range of services from a Jiffy bag to a pallet." Over the past six months Lynx has won more than £6m of new business in the automotive, pharmaceuticals and electronics sectors.

UPS, after much speculation, last July bought Carryfast, claimed to be the UK's largest private package delivery company to be integrated in its UK domestic operation. "Integrating Carryfast has been undertaken gradually since the purchase," says Peter Quantrill, UPS's UK chief executive. This integration involves merging

Colin Millbanks of Parceline: cost is now the main factor for customers

Carryfast depots with UPS's International depots where appropriate. To date four out of 15 have been integrated.

Quantrill comments: "Our first quarter was up on 1992. Discounting is rife, an inherent sign of the current market. It is encouraging to be ahead and we will be looking for further growth through the year."

The last 18 months have proved a particularly challenging time for Elan, which was bought out of DHL in August 1991. The company has since moved from losses into profit by concentrating on its speciality overnight service. It offers delivery before 10am, 12 noon and 5pm as well as a palletised service for shipments up to one tonne. It continues to progress well and won £3m of new business in the first quarter of 1993.

This encouraging growth in revenue comes on the back of record trading volumes for Elan at the end of last year, says Brian Draper, Elan's managing director. "It more than justifies our recent £1m investment in new trucks and our investment in IT systems."

"Recovery has been filtering through since Christmas," says Peter Gent, Interlink's chief executive. "There is improvement in volumes but not price. There does not appear to be any pattern of recovery, or a pattern we can follow, but we are moving about 5 per cent more than this time last year."

A combination of cost control, better quality of customer service and limited investment in enhancing existing technology systems has been adopted by most operators to cope with the recession.

Few have introduced new services in the domestic market as their ranges were satisfactory for most needs. Some trimming of depot networks has been undertaken by some operators but trying to balance outgoings with revenue has been the main challenge.

As the economy improves and trade expands the impact of rate cutting could linger and keep revenue flows below what they should be. It is at this time that some trimming of capacity might occur as quality of service to match price as the key deciding factors on which operator to use.

David Robinson

MANAGEMENT

Businesses dealing with the consumer know that losing customers through poor-quality service can be expensive. It is not only customers suffering the bad service that are lost: they in turn pass on their dissatisfaction to their family and friends, multiplying the cost of failure.

Inviting disgruntled consumers to make contact by telephone can therefore make good business sense. Not only does it provide an opportunity to remedy the fault, it also helps identify the causes of complaint.

That is the philosophy behind the increasing use of the telephone as part of the customer care arsenal. Computer hardware and software companies, mail-order retailers and utilities such as BT, the telecoms group, are among the businesses which provide cheap or free telephone helplines to keep in contact with their customers.

Prime Minister John Major's Citizen's Charter, which aims to raise the standard of public services, has spread the practice into the public sector. Many government departments and agencies, health authorities and local councils are now providing helplines to provide information to customers.

Later this morning, the use of helplines in the public sector will take another step forward with the launch of Charterline by William Waldegrave, the public services minister in charge of the Citizen's Charter. Initially to be piloted in the East Midlands, Charterline will provide callers all over the UK with information on what standards of service they can expect from dozens of public services and utilities and how to complain when they fall below standard.

Even in the three pilot counties of Nottinghamshire, Leicestershire and Derbyshire, the demand is estimated to be enormous. About 30,000 calls a month are expected by consultants Price Waterhouse who are managing the project for the Cabinet Office Citizen's Charter Unit.

Answering their questions means having details – names, addresses, responsibilities, service standards, complaints procedures – of more than 200 public service organisations, including government bodies, quangos, public transport operators, local councils, police forces and fire services. Charterline also takes in privatised public utilities – water, gas, electricity and telecommunications, their regulators and consumer bodies.

As the service spreads beyond the pilot area, it will add more organisations to its database, and will finally have details of 1,400 public-sector bodies. It will also include some basic information on "out-of-scope" organisations such as banks,

Manning the hot lines

John Willman looks at today's launch of Charterline, a state-of the art service to keep UK customers satisfied

building societies and airlines.

Charterline's aim is to provide the ordinary citizen with more information about the Citizen's Charter and to encourage them to take up gripes with the organisations concerned. But it will also provide essential management information for the Citizen's Charter Unit in its efforts to improve the public services. For the first time, the unit will have a tool for identifying which services are creating most complaints – and which have the best procedures for dealing with them.

The Charterline service will be run from IBM's National Call Management Centre at Havant, Hampshire. The centre was established last year to handle requests for computer maintenance from IBM's customers. Its 100 operators already handle 34,000 calls a week, 24 hours a day. But Charterline could mean a large growth in call handling at the centre, with 18 new "call agents" required to handle calls from the pilot area alone.

The IBM centre meets its staffing needs through an innovative relationship with Manpower, the recruitment specialists. Manpower is responsible for recruiting the call agents, using a profile agreed with IBM, and remains their employer.

"It gives me the flexibility I need to experiment with new approaches and change things around," says Mike Coleman, the centre's manager. "It helps me keep costs to the minimum and I don't have to hire and fire people."

However, quality of service is the key to running a successful helpline, says Coleman. Each agent receives five weeks' training which includes customer care, telephone technique, stress training and learning how the public services operate (there are plans for an NVQ vocational qualification in call handling).

Team working is encouraged by grouping five call agents and a team leader in a work station in which they all face each other. A much-coveted monthly "Golden Telephone" award is presented to the best team and team members are encouraged to nominate each other for "Golden Eagle" awards for customer care – these come with a £5 voucher.

Price Waterhouse has set challenging performance targets for the contract: 90 per cent of calls must be answered within 10 seconds, 98 per cent in less than 20. Better response rates are possible, says PW's Robert Browning, but the cost could only be justified in a commercial environment where additional sales might result.

The success of Charterline will, however, also depend on whether it can supply callers with the information they need. Each call agent watches a computer screen on to which details of calls are entered. The system identifies the organisation the caller needs to know more about and provides details of service standards and complaints procedures. If the caller wants to receive details of the Citizen's Charter, the agent can enter the request for despatch the same day.

The system has been extensively tested by confronting agents with difficult queries. One fiendish tester rang in to ask how he could arrange a meeting with John Major for a man claiming to be a Martian. It is unlikely that many of Charterline's inquiries will be quite so difficult to answer. However, no one can really know if the system will take the strain until the calls start flooding in later today.

One thing is certain: Charterline cannot be allowed to flop. If there is one thing worse than neglecting the customer, it is to invite them to call in and then mishandle their complaint.

Reports of a new era of UK industrial co-operation may be exaggerated, writes **Simon Milner**

Do not underestimate the overtime ban

Most managers must rate industrial relations as the least of their current worries given the virtual disappearance of strikes. But the absence of strikes does not necessarily mean a contented workforce. Currently conflict-free industrial relations appear to result more from worker compliance than from co-operation with management.

The UK has seen important changes in industrial relations over the past decade, with many observers now talking of the "new industrial relations". One of the most important features of NIR is the decline in strike incidence since the mid-1980s. There has also been a reassertion of managerial prerogatives, the death of the closed shop and a slump in trade union membership.

According to some, we have moved from an era of industrial conflict to one of co-operation, with workplace relations no longer characterised by "them and us" attitudes, but simply referred to as "us".

The evidence on strikes is fairly clear cut. Fewer working days were lost due to strikes in 1992 than in any other year since records began a century ago. There were only 240 officially recorded strikes last year, less than a 10th of the number 15 years ago. But other evidence suggests that the NIR label may be somewhat misplaced.

A strike has two basic elements: an unsatisfied grievance and an ability to strike. The reduction in strike activity must have resulted from either a decline in unsatisfied employee grievances and/or a decline in the ability to strike. If advocates of NIR are correct, then a fall in the level and intensity of grievances must be the more important explanation.

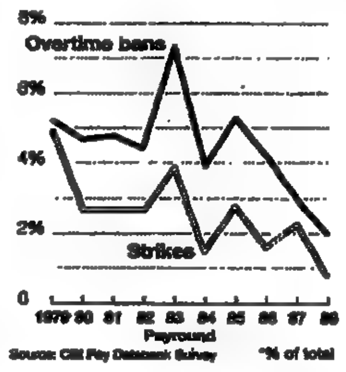
There are at least three points to make against the NIR case. The most obvious is the current spring of discontent, with industrial action at the Timex electronics plant in Dundee, on British Rail and buses, in the pits and in schools.

Evidence has also emerged that the official record of strike activity does not tell the whole story. Alongside the contraction in strike frequency was a shift in favour of the overtime ban.

Using information collected by the CBI Pay Databank survey of manufacturing pay negotiations, research at the London School of Economics* has revealed that, on average in the period 1979-89, overtime bans were twice as likely to occur as strikes. This was not the case throughout the economy, however, as public-sector workers have continued to favour strikes over non-strike action.

Why did employees turn

Pay settlements leading to industrial action*



Source: CBI Pay Databank Survey *% of total

increasingly to overtime bans to pursue their grievances? Contributing factors include: the rule of the law which concentrated, before 1988 at least, on stamping out strikes and largely ignored non-strike forms of action; leaner production systems, such as just-in-time and other techniques which made an overtime ban more effective; and high unemployment which appears more effective in discouraging strikes than overtime bans. The common thread is that the overtime ban provides a relatively low-cost way for workers to express their dissatisfaction.

A final piece of evidence on worker disquiet concerns the use of dispute procedures. The recently published Acas report for 1992 reveals that the statutory advisory and conciliation body was busier than ever last year.

Between 1976 and 1988 the use of collective conciliation closely followed the pattern of strike incidence. But, since then, the paths have diverged.

As strike incidence has plummeted to an all-time low, the number of conciliation requests has stayed stable at around 1,200-1,300 a year.

The number of individual conciliation cases shows a more marked trend upwards. Last year Acas received more than 72,000 requests, up 12,000 on 1991. In part, this increase results from the recession, since most conciliation cases concern claims for unfair dismissal. But it must also result from a decline in workers' ability to pursue disputes in any other way.

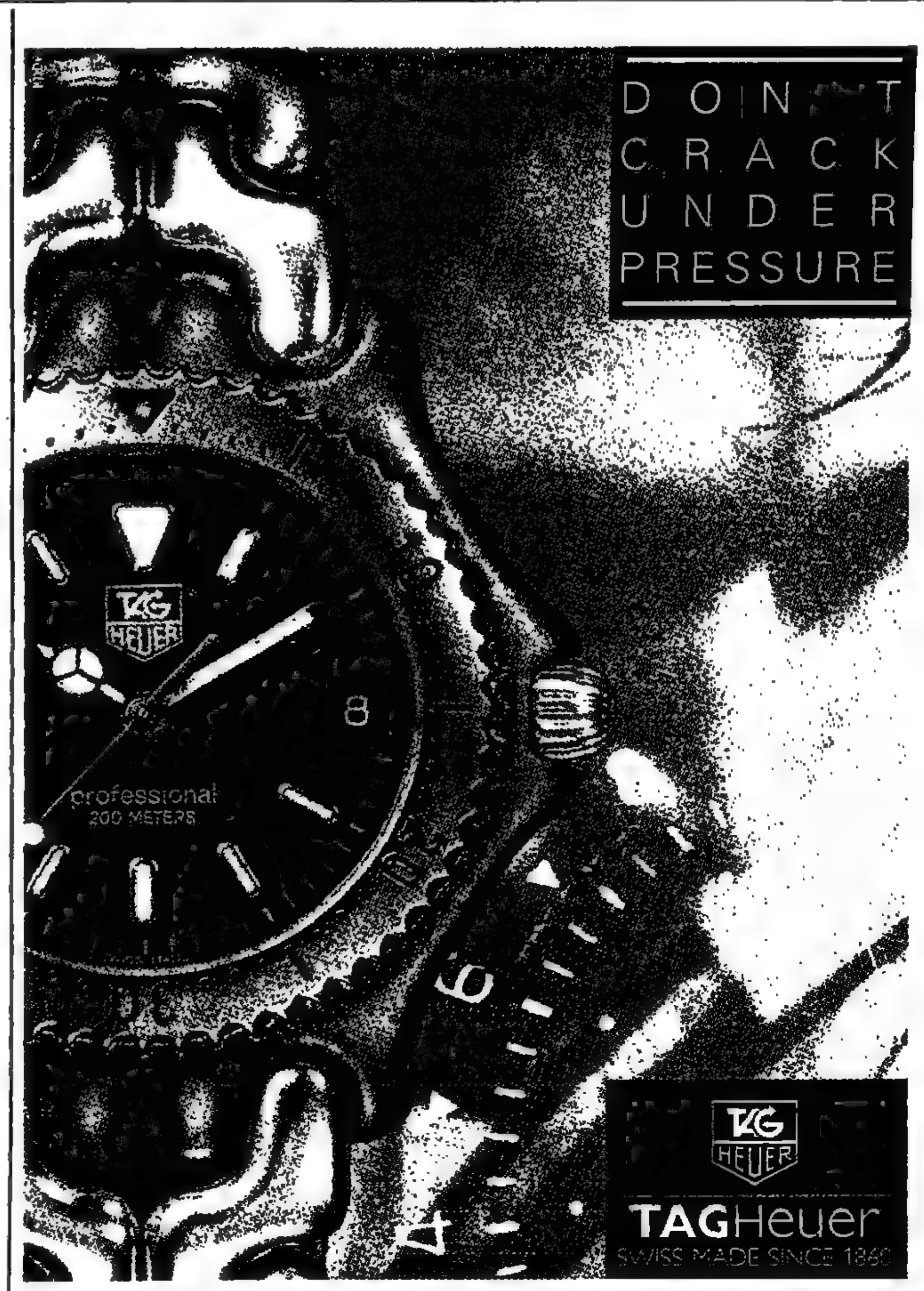
The decline in strike action is welcome. But it results largely from the most disaffected employees no longer being able to take strike action, rather than from an absence of grievances. The fact that some dissatisfaction is still being expressed through non-strike industrial action and the use of Acas suggests that the foundation of NIR is workplace compliance rather than co-operation.

Compliant employees may be sufficiently productive when labour markets give management the upper hand. But, when (and if) unemployment starts to fall, the absence of a co-operative spirit may lead to problems of employee turnover, absenteeism and a lack of effort.

The ball is firmly in the managerial court and has been languishing there for some time. High-trust employee relations take time to develop and the necessary initiatives must be employer led.

** Discussion Paper 136 available from the LSE. Tel. 071 955 7801. Free.*

The author is a research officer at the Centre for Economic Performance, London School of Economics.



Gasification of wood could be a clean, abundant and renewable power source, writes **Joe Kirwin**

Hot air fuels the energy debate

For the past decade, pressurised biomass gasification has been trumpeted at energy workshops and environmental conferences around the world as a clean, renewable power source with realistic commercial potential.

Its proponents emphasise not only the abundant fuel source and the low-level emissions released from burning the gas from wood heated at high temperatures, but also the lack of any net increase in greenhouse gases – provided trees are planted at the same rate they are felled.

Just how promising the future of the pressurised biomass gasificatian is, will become clearer in coming months when the world's most advanced pilot power stations are fired up in Scandinavia – joint ventures between leading utility companies in Sweden and Finland.

The technological hurdle that scientists have faced over the years with pressurised biomass gasification is at the turbine stage. Producing the gas from wood is not a problem, but finding a turbine that does not foul when fired from that gas is. That is because the gas emitted from wood heated to temperatures of 900°C contains various tar compounds, alkaline metals and dust.

Both projects – one, a demonstration plant, in southern Sweden and the other, a test rig, in Finland – are equipped with a filtering technology designed to solve the fouling problem. With a so-called "hot gas cleaning" method, the gases are cooled to 400°°C, when the vapour alkalines such as sodium and potassium and other compounds can be filtered out. The clean gas is then fed into conventional gas turbines.

The two facilities will use each company's hot-gas filtering technology which has been developed independently. The projects also differ in scope and size. The larger of the two plants – in Varnamo, Sweden – is running now. But diesel fuel is firing the turbine. The hot-gas filtering will be put in use shortly and, in the autumn, the gas turbine will produce electricity.

The Swedish plant, run jointly by Sydkraft and Ahlstrom, also uses combined cycle technology where hot emission gases are recovered to heat water for conventional steam turbines. The same plant will also use recovered heat to fire a hot-water district heating system. The total output will be 15MW.

The other plant – in Tampere, Finland – is a retrofitted coal gasification research project. Run by Vattenfall of Sweden and Tampella Power of Finland, it will eventually produce 15MW. However, the initial stage, started in early March, will test only the gas cleaning system. Eventually the gas will be channelled into a gas turbine that will also be part of a combined cycle system.

The joint venture between Vattenfall and Tampella is a more modest programme than originally planned. A 40MW station to be built in Sweden was shelved for financial reasons.

Both joint-venture companies have invested more than $40m (£26.6m) each on the programme. Some of the money has come from the Swedish government, which faces a long-term energy dilemma due to parliamentary decisions to phase out nuclear power (50 per cent of its current power source) by 2010, halt hydro expansion and cap carbon dioxide emissions.

Gasification technology is not new. It was developed more than 50 years ago. Today there are ambitious, large-scale coal gasification pilot projects under way in both the US and Europe.

But gasification of wood has three big advantages over coal: No sulphur emissions, no hazardous waste ash and no increase in carbon-dioxide emissions.


Heavily forested Finland and Sweden have pioneered biomass gasification

However, because coal is so cheap and has a higher heating value, it is currently less expensive to import for gasification than to collect and transport the large volumes of wood needed in biomass energy. "That is where a carbon tax must come into play," says Nils Lindman, a biomass researcher for Vattenfall.

"To make it economically viable, the true environmental cost of the other fuels must be charged." Sweden and Finland have carbon taxes but this is just one reason why biomass gasification has been pioneered in Scandinavia. Besides pursuing an environmentally sound energy policy, Sweden and Finland have large expanses of forest.

Another potential environmental benefit of biomass concerns nitrogen oxide emissions, which contribute to acid rain and are the by-product of burning fossil fuels. Biomass gasification produces nitrogen oxide but again there is a net decrease.

"A third of the timber cut down for paper and pulp production is left behind and that scrap wood decays and causes nitrogen run-off," says Lindman. "By collecting that scrap wood and burning it, the extraction [of nitrogen] is much higher than the nitrogen burden caused by flue gas emissions.

"There is also the benefit of ash waste from biomass," Lindman added. "This can be used as fertilizer – unlike the waste from coal gasification which must for the most part be landfilled as a hazardous waste." This nitrogen factor is especially important in Sweden where a new nitrous oxide emission tax was instituted in 1992.

The success or failure of these biomass gasification plants will have worldwide implications. The Värnamo plant in Sweden will participate in a $30m Global Environment Facility programme with plans to build a large-scale biomass gasification plant in Brazil. The GEF is a joint project between the World Bank, the United Nations Development Programme and the United Nations Environment Programme to help third-world nations implement environmentally sound development programmes.

"We feel that biomass gasification is one of the few renewable energy sources that could be economically competitive with conventional methods," says Phil Elliot, a project co-ordinator with Shell Oil, which is acting as a co-ordinator in the GEF programme.

"The Värnamo plant faces some hurdles because it is a complicated engineering process but I do think they will be able to work out the problems."

Green maze guide

The environmental industry is hardly short of directories. But the recently published Entec Directory of Environmental Technology* is one of the more ambitious, and if comprehensiveness is the criterion, one of the most successful.

Its foreword by Nigel Bell of Imperial College, London, repeats the common refrain that "environmental issues present not only unparalleled challenges but also unique opportunities". Those unsubstantiated remarks are too casually made in the environmental industry, given the importance of the question. However, the attraction of the directory is not the text but its extensive charts.

Its 1,000 pages in English, French, German and Spanish, list 20,000 companies in Europe supplying environmental technology. The first 800 pages are devoted to classification: water, air, solid waste, hazardous waste, waste planning and management, noise and vibration, energy, "environmental organisations and consultancies".

Each section is then subdivided again – for example, water is sliced into 14 mini-sections on water treatment, water pollution, sewerage and so on. The companies which participate in those areas are then marked down one side of a grid, while 30 products, such as fluoridation and desalination, are marked along the top.

This categorisation – almost 1,000 groupings – is both a strength and a weakness. It is enormously detailed, but if you are not sure which sub-section you should be looking for, you may find it less helpful.

Provided readers are using it to help them locate technology suppliers, they should be satisfied, but it is less useful to get an overview of what companies do, or of their size. The last 200 pages, however, have an excellent index of all the companies' names and telephone numbers.

Bronwen Maddox

**The Entec Directory of Environmental Technology. £125, 1024pp. Earthscan Publications, 120 Pentonville Road London N1 9JN.*

Charged up over contamination

A new technology to eliminate soil pollution by applying low-voltage electric currents promises to shave millions of dollars off the cost of large-scale contamination clean-ups.

The new technique, being developed by a team at the Massachusetts Institute of Technology, has attracted the attention of groups in the chemical, mining and utility sectors, which are now facing large bills from soil decontamination.

"It's essential for us to examine new technologies which would do the same job at a lower cost," says Vincent Mirabella, a consulting engineer at Southern California Edison, which is helping to finance the project. The new technology, which should be ready for on-site trials by the end of the year, uses low-voltage electrodes inserted in the soil to pull out pollutants by magnetic force.

Two different methods can be used. The first, known as electro-osmosis, takes advantage of the water contained in the soil to flush out the contaminants. All soil contains some water, and many ground pollutants are dissolved in that water.

Water gives the soil a charge, commonly known as the soil pH. If an electrode with a negative charge is inserted into the ground, the water, bearing a positive charge, will gravitate towards it, bringing many of the soil's pollutants along. The rest of the soil, which typically carries a negative charge, would remain behind. The electrode could consist of a charged wire running through a permeable pipe which is inserted into the ground.

The second method, known as electro-migration, complements electro-osmosis. The method is especially suitable for arid soil containing little water, and soil holding large amounts of toxic metals. This technique pulls out the pollutants at a slower pace, ion by ion. When the pollutants reach the electrode, once again water is used to flush the contaminants out.

"With use of both methods, we can remove about 95 per cent of contaminants from the soil," says Ronald Probstein, who heads the project at MIT. The electric charge process offers some important advantages. First, the technology would carry a relatively low cost, about $20 to $30 per tonne, compared with an average $150 per tonne for current methods such as excavation and pumping.

"If we used current methods to clean up all the contaminant soil in America, we'd bankrupt the country," says Richard Magee, executive director of environmental engineering at the New Jersey Institute of Technology. "Either we find a cheaper technology, or we resign ourselves to living with contaminated soil."

The MIT technology also promises to be kinder to the environment than current clean-up methods. Under the excavation and incineration technique, for instance, soil is dug out of the ground and placed in an incinerator to burn off the pollutants. Critics complain that this method turns a ground pollution problem into an air pollution problem. And by using traditional pumping and draining techniques, soil ruptures are likely to occur.

Neither electro-osmosis nor electro-migration will be miracle cures for soil pollution. Both, for instance, are painstakingly slow. Depending on how many electrodes are used, a large field of polluted soil could take from a few months to a year to clean up.

However, the process's supporters believe a year is not too long to wait considering the scale of the problem. With the new technique's promising cost and efficiency advantages, its successful development could go a long way towards solving the daunting problem of ground-pollution clean-up.

Victoria Griffith

PEOPLE

Looking outside the McAlpine clan

Nigel Turnbull, 50, who headed the Rosehaugh property group in the final months before it went into receivership, has resurfaced as finance director of Newarthill, which controls the privately-owned construction business of Sir Robert McAlpine and Sons.

Newarthill, named after the Scottish birthplace of founder Robert McAlpine, is the bigger, but more private of the two construction companies connected with the McAlpine family. The company, which was taken private in 1989, has been hard hit by the recession and reported a £21.5m loss on turnover of £267.8m in the year to end-October 1992.

Although a minority of Newarthill's shares are still publicly traded, the company has long been run along the lines of a family partnership dominated by members of the McAlpine clan.

However, since the end of its financial year it has strengthened its board with two new non-executive directors – Sir Christopher Harding, chairman of BET, and George Grover, a former senior partner of Debenham Tewson & Chinnocks – and it has now appointed its first finance director.

The company declined to comment on the new appointment. However, it marks a return to reasonably familiar territory for Turnbull, a lawyer and chartered accountant. After a stint at Scottish merchant bankers Noble Grossart, Turnbull joined the privately-owned property and construction firm Hunting Gate Group, as financial director in June 1982.

In 1991 he moved to Rosehaugh, one of the stars of the 1980's property boom, which was already in serious financial trouble.

Less than a year after joining, he found himself in the chief executive's seat as part of a mangement reshuffle prompted by the group's increasingly worried bankers. However, attempts to refinance the group foundered and less than a year after Turnbull was made chief executive, Rosehaugh was in the hands of the receivers.


Peter Martin, 36, has been appointed general manager of Schering-Plough, the UK subsidiary of the American drugs group, replacing Anthony Cork. Previously marketing director, Martin will report to Hans-Jörg Kummer, senior vp for Europe and Canada.

Non-executives

- **David Crawley** at ARMITAGE BROTHERS; Gilbert Skelston has resigned.
- **John Jones**, chairman of Clayhithe and an adviser to the Prince's Youth Business Trust, and **Lady Meriza Stevens**, a committee member of the Israel Cancer Association, at NUFFIELD HOSPITALS.
- **Sir Ron Brierley**, **Trevor Beyer**, **Blake Nixon** and **Gary Weiss**, all directors of GPG, at BROWN SHIPLEY HOLDINGS; Jean Adant, Jean Blondeel and Richard Mansell-Jones have resigned.
- **Stephen King** has retired from WPP.
- **Stanley Goldstein** at FORMINSTER.
- **Hilary Pinder** at COVERDALE.

- **Calum McLeod** (left) as deputy chairman at BRITANNIA BUILDING SOCIETY; Charles Godwin and Stephen Sebire step down as joint deputy chairmen but remain on the board.
- **Gerry Stevenson** (right) human resources director for Dun & Bradstreet, at the ROYAL BERKSHIRE and BATTLE HOSPITALS TRUST.
- **Ian Bankier**, who has for long acted as a legal adviser to its parent, at MURRAY JOHNSTONE Developments.
- **Eran Tapan**, a member of the management council of Sabanci Group, at AK INTERNATIONAL BANK on the resignation of Sakip Sabanci, chairman of Sabanci Bank.
- **John Dick** has resigned from USDC INVESTMENT TRUST.
- **Herbert Hann** has resigned from CLIFFORD FOODS following its acquisition by Unigate.
- **Ian Butler**, a director of Cookson Group and its former chairman, and a member of the Cadbury Committee, at HELICAL BAR.
- **Julian Benson** has retired from TRANSATLANTIC HOLDINGS.
- **David Crawley**, until recently development director of Bowater Packaging, at ARMITAGE BROTHERS.
- **David Harrison** has resigned from The BIRKDALE GROUP.
- **Osman Abdullah** at UMECO.
- **Collin Keith** at UNITED UNIFORM SERVICES.
- **Alick Macmillan** has retired from EFT GROUP.
- **Eric Davey** as vice-chairman and **Sandy Hunter**, recently retired from the RAF, at NEWCASTLE BUILDING SOCIETY.
- **Brian Baker**, former deputy chairman of Tarmac, at BIRSE GROUP; Hans Wittmann has resigned.
- **Brian Griffin**, former chairman and chief executive, stays on as a non-exec at The BUILDER GROUP.
- **Hon David Clark**, md of Infocheck Group, at AMA UNDERWRITING AGENCIES.
- **Kenneth Marks** and **Harold Paisner** at COURTS (FURNISHERS).

Englishman goes to market for Scotland

For the first time, an Englishman is to become chairman of what remains of the Glasgow stock exchange.

Anthony Vine-Lott, 45-year-old managing director of Barclays Stockbrokers, is to succeed Robert White of the Edinburgh stockbroker Bell Lawrie White as chairman of the Scottish regional advisory group of the London Stock Exchange.

Glasgow is one of the more active of the dwindling number of regional branches of the Stock Exchange. It has the only firms of market-makers outside London (two of them) and handles most settlements for Glasgow-based stockbrokers, such as Allied Provincial.

The exchange, which employs about 20 people, claims to be second only to London in the volume of business it handles.

Meanwhile, Barclays Stockbrokers is probably the biggest user of the Glasgow exchange. It employs about 300 people in the city and does all share transactions for retail customers of the bank's branches, as well as handling back office work for a number of regional stockbrokers.

It claims to transact ten per cent of all retail business in the UK.

Vine-Lott is one of the new breed of stockbrokers who came into the business from the technology side rather than from dealing, having been a senior executive of Wang UK in the early 1980s.

He helped design an electronic dealing system for Barclays de Zoete Wedd before becoming md of Barclays Stockbrokers in 1988.

But he only works two days a week in Glasgow, spending the rest of the week in London, and his home is in Kent.

He sees the Scottish regional advisory group as "a local lobby group sponsored by the exchange" which should work as a conduit to pass information to members of the stock exchange and to obtain their views to pass back to London. He wants to widen the role of the committee to represent the views of quoted Scottish companies and Scottish fund managers on stock exchange matters.

A 40-foot Arnold Schwarzenegger threatens visitors to the 46th Cannes Film Festival. Anchored to a barge in the bay, the inflatable Arnie points an inflatable gun – wobbling a bit in the wind – towards the Croisette. "Hasta la vista, baby!", he seems to be saying to anyone complaining that the Hollywood presence at Cannes '93 is not large enough.

For that is the festival grouch to date. No-shows from such as Spielberg, Scorsese and Woody Allen, whose new films had all been tipped for Cannes, fuel the murmurings of America's growing disdain for Europe's major movie spree. Hollywood has sent its B team instead, with Abel Ferrara (*Body Snatchers*), Steven Soderbergh (*King Of The Hill*) and Joel Schumacher (*Falling Down*) waving a tattered US flag while the major studios save their blockbusters for the American summer.

That half the 28 official Cannes entries are still in English tells us how virulent that language has become in the age of the co-production; and points to the presence of five British films in the official event, an all-time record. One of these is Mike Leigh's *Naked*, competition co-favourite to date with Jane Campion's extraordinary *The Piano* from New Zealand.

Katrin Cartlidge, Greg Cruttwell and Lesley Sharp in Mike Leigh's 'Naked'

Cannes Film Festival/Nigel Andrews

The year of the shaggy dog

Campion, who promised greatness in *Sweetie* and *An Angel At My Table*, achieves it with this dazzling tale of passion and punishment in the 19th century Antipodean bush. Holly Hunter is the young Scots widow whose father pitches her into an arranged marriage with colonialist Sam Neill. But a piano, a Scots-Maori neighbour (Harvey Keitel) and Hunter's little daughter all play parts in the waiting cataclysm of sex, jealousy and violent retribution.

The film is shot like a Victorian engraving come to life. Early on: the buttoned-up, near-monochrome tableaux of cinephotographer Stuart Dryburgh (*Vigil*) as he probes the misty shores and forests prowled by incongruous shawls and black hooped skirts. Later: the thrilling fluency of camerawork and feeling as love unpicks the characters' straight-lacing and opens up their souls. The movie never stumbles into melodrama, nevers substitutes reach-me-down cliché for hard-earned revelation. In the power of its imagery and command of its emotions *The Piano* may well be – let us risk a sexist superlative – the greatest film yet directed by a woman.

Some male chauvinist Europeans went madder for *Naked*: Mike Leigh's gloom-laden tale of a group of London down-and-outs catalysed by the surly wit of a visiting Mancunian (David Thewlis). Thewlis is obsessed with the end of the world and with exorcising – or merely exercising – his own chattery, epigrammatic despair. He first wreaks sexual havoc in an ex-girlfriend's flat, then tramps the nocturnal streets meeting Odd Characters of the kind we only find *chez* Leigh. A philosophical security guard, a pair of screwloose Scots youngsters, a nymphomaniac ... Finally the tale comes full circle and Mr T hoofs off home again: but not before he has laid waste parts of London's soul not even the recession had reached.

Newcomers to Leigh's cinema liked the film more than longtime loyalists. From the maker of *High Hopes* and *Life Is Sweet*, where statements about life and death are made through a prismatic miniaturism, *Naked* seemed to me full of apocalyptic self-consciousness and cackhanded class comedy. One character is a toff called Sebastian, whose sole function is to go through the movie drawling upper-crust one-liners and treating women to some seigneurial S-and-M. Elsewhere a nomadic, smash-and-grab pessimism is preferred to the distilled comic power of Leigh's best work.

Leigh's film points, though, to a conspicuous trend at this year's festival. It is the Year of the Shaggy Dog. Many competition movies, even those that start out brisk and well-clipped, have ended up hairy, dazed and wandering all over the place.

In Akira Kurosawa's *Madadayo* the initially touching tale of a retired schoolmaster's decade-spanning friendship with former pupils – sort of a *Sayonara, Mr Chips* – ends up going round and round like a scratchy record. In Jim McBride's road movie *The Wrong Man*, "picaresque" becomes a criminal offence as Rosanna Arquette, Kevin Anderson and John Lithgow (husband, wife and the murder-suspect sailor they pick up) zigzag all over Mexico, burning the tarmac from one overacted amorous flare-up to another. And the Taviani brothers' *Fiorile* is a dynastic epic about gold, love and Tuscan folklore that pounds the centuries promising revelation but providing only reiterated lectures about the corruption of money and redemptive virtues of love.

The best of that endangered Cannes species, the foreign-language film, came from another pair of Italian siblings. Pupi Avati's *Magnificat*, produced and co-conceived by brother Antonio, hews half-a-dozen stories from the rock of Mediaeval social history. The carving is brilliantly skilful: here a young girl's convent initiation or the birth agonies of a royal courtesan, there the grim glimpse of an executioner's trade or a dying nobleman's search for grace in a funeral pavilion by a river. Avati dovetails all these 10th century vignettes into a movie that begins by presenting the past as a "foreign country" but ends by irradiating it with understanding and insight.

The Cannes festival paints with a broad brush and there have been plenty of artworks boasting louder, more lurid merits. In the Market, movies with titles like *Man With The Screaming Brain* and *Maniac Nurses Find Ecstasy*. And in the Competition itself, my favourite popcorn-and-escapism movie so far: Abel Ferrara's *Body Snatchers*.

Yes, this is *another* remake of the romp first put on screen in 1956 by Don Siegel about space-spawned clone people taking over the world; and yes, my colleagues thought the film vulgar, brash, pyrotechnic and unsubtle. But then so did I. That is why, in a festival with more than its share of unfocused and underplotted movies rotating in ever diminishing circles, I liked it.

Television/Bruce Fireman

Get down to business

Although work, business and finance occupy over 20m. Britons for a large part of the week, British television covers the area very sparsely. There is nothing to compare with the old *Financial News Network* or its successor on US cable television, CNBC. Neither does British television have anyone to rival CNN's Lou Dobbs, who presents business and financial news with urbanity and knowledge. Yet there are dozens of magazines covering the area, most newspapers have substantial business sections and this newspaper exists to give over most of its space to it.

The BBC broadcasts *The Money Programme* for 40 minutes on Sundays and has *Business Breakfast* every weekday morning between 6.00 am and 7.00 am. The ITV network has no business or financial programmes at all. Channel Four used to have a first-rate popular programme dealing with personal finance and business, *High Interest*, but it came to the end of its run recently and there are no present plans to replace it.

The Money Programme is broadcast at an awkward time, starting at 7.00 pm on Sunday evenings. It gets a smallish audience – around 1.4m was the average between January and May of this year. BBC 1's *Business Breakfast* has, on average, only 199,000 adult viewers and, according to an analysis by Carat UK, only 34,000 of them are "business spenders". Even Channel Four's downmarket *The Big Breakfast* gets 41,000 business spender viewers, and *Good Morning Television* gets 53,000 of them.

On this basis of the audience figures, then, British broadcasters seem to have got the balance of supply and demand about right. Or should one apply the supermarket law that products given less display area disproportionately undersell those with more area? Or are the programmes just not good enough?

Business Breakfast, which I have been watching recently in the course of my enquiry, is a peculiar hotch-potch. Presenters read out the latest indices and the overnight closes. The figures appear as captions at the bottom of the screen. The information is of limited use to professionals, who would know the figures already. To the general viewer, the information is as of much use as periodic announcements of the height of the tide at London Bridge, which keeps on going up and down and there is nothing you can do about it.

Business Breakfast has a format borrowed from news magazines. There are two presenters. The man does most of the difficult stuff, like interviews; the other presenter is usually a woman, who, among other tasks, has to read out the overnight indices. This is sometimes done by a presenter who gives the impression that she is a little challenged arithmetically, since there are discrepancies between what she reads out and the captions on the screen. Last week the job was taken on by an escapee from a hair spray advertisement, with Big Hair Band Second Wife Lip Gloss, which in this respect at least put the show on a par with *Financial News Network*.

The format is that the presenters introduce or read the national and international news, the local news, sports news and weather in a rolling sequence. They break this up with reports from "our European business correspondent" or "our North American Business Correspondent". The North American man reported from California about the wine industry there on the day last week when the Dow Jones Industrial Average surpassed its previous all-time closing peak. This was not mentioned on the programme. Those interviewed by the European correspondent are all suspiciously fluent in English, which leads one to think that they might not have appeared if they had not been fluent because of translation difficulties.

One presenter appeared to be an escapee from a hair spray advertisement

Getting knowledgeable guests to travel to the BBC's studios in West London for a 6.00 am start is obviously difficult. Stockbrokers' analysts must know about the dangers of agreeing to talk about company results due in an hour's time: if they are wrong, they will never forgive themselves, if they are right no one will remember. As a result, the producers have fallen upon the idea of importing journalists as "Experts". This produces the bizarre spectacle of one journalist, the presenter, asking another journalist, the Expert, about what other journalists wrote about the day before.

The greatest Expert of all came from a provincial British daily. Asked to comment on a photograph in *The Sun* of several hundred Mercedes cars in a field, apparently unsold, the Expert gave the following baffling response: "Well, I think Germany is finally having to wake up to the problem of excess capacity in its industrial base. Britain and America, to a certain extent, have had over 150 years to move away from industry, from cars and nuts and bolts, toward high-tech service-orientated industries. Germany and in particular East Germany has had barely 50 years to do this. And they are now feeling the crunch. It's going to involve the loss of much capacity and, I am afraid, very many jobs."

In this week's *Money Programme*, the BBC's Economics Editor, Peter Jay, did an analysis of Germany's economic situation, relating it to political aims and giving a considered view on the prospects. Germany has lost its productivity advantage relative to its competitors, which is perhaps what the Expert was trying to say. But when the Expert spoke, he was working in the wrong medium for him at the worst possible time of day for newspaper writers, therefore giving no service to the viewers and doing no service to himself.

On Monday morning, *Business Breakfast* carried an item about the Stock Exchange's clamp-down on leaking. Professionals knew about it on Friday; it was the lead story in this newspaper on Saturday and lead most of the business sections in other newspapers. The presenter summarised the story and then did a short studio interview with Alastair Ross-Goobey, the Chief Executive of Postel. This was the sort of item that should be on the show every day: but it was notable because it was so exceptional.

What Earl Brian of *Financial News Network* realised was that the real demand for a daily business programme was from the sort of people who sat around watching the screens in hundreds of stockbroker's offices around the US. The key was to site the studios in low rent areas in midtown Manhattan so that guests could pop in on the way downtown to work in the morning and to switch production to Los Angeles out of prime time to take advantage of the lower wage rates for television production people in California. Success lay in concentrating on delivering pure programme strands to committed audiences, eschewing sports, general and local news.

It follows that the BBC should learn the lessons of modern technology and falling rents. Television studios can now be anywhere: City of London rents are such the BBC could afford to take space at the UK's financial centre, and provide a proper service to the 20m. or so people who are so underserved now.

Bruce Fireman is managing director, Media and Communications, at merchant bankers Guinness Mahon

Theatre/Malcolm Rutherford

The Showman

First the plaudits. You will seldom see a display of acting in London to match that of Alan Bates in *The Showman* at the Almeida in north London. For variety, for depth and, above all, for sheer stamina Bates deserves every prize. And although, on a rough reckoning, he has over 90 per cent of the lines, the rest of the cast deserve the fullest praise, too, for their unstinting support.

Written by the Austrian Thomas Bernard, the play centres on an actor-writer-director who has aspirations to be Shakespeare, Verdi, Metternich and Wittgenstein, to name but a few. Voltaire, Napoleon, F.D. Roosevelt and Lady Churchill crop up as well. So do Hitler and Stalin. Bates in the lead role has them all in his imagination.

The Showman, however, is really about Austria, which is a big subject, or at least was when Austria had an empire. Possibly, in a micro-way, the country has become psychologically more interesting now that it has not. Coming to terms with an imperial past and a more modest present is a problem not confined to Austria.

Yet it is here that the reservations begin. This is the second Bernhard play to be performed in London in recent months. The first was *Elisabeth II* at the Gate. Both suggest a peculiar dislike of modern Austria, but what I find very hard to work out is whether this stems from a nostalgia for a glory that has gone or is a complaint about a failure to adjust to being a lesser, and democratic power. Probably *The Showman* is a subtle mixture of the two, though you would have to be an Austrian to fully appreciate it.

My own view, seeing the play in English from an offshore island, is that it comes down firmly on the side of Metternich: relatively civilised authoritarianism with Austria running Europe rather than the great powers breaking it up. But I may be wrong.

Apart from doubts about the play's intentions, the other reservation concerns the structure. Bernhard has a pronounced tendency to allow his central characters to rant. Not even John Osborne gave his leading figures such continuous spleen and invective. In Osborne someone usually interrupts; Bernhard scarcely ever stops. This creates an imbalance in the play.

For example, the wife in *The Showman* does little more than cough: the grown-up children broadly kow-tow to their father. The only people not wholly submissive are the inn-keeper and his family, but they dissent largely in dignified silence and are tarnished (or perhaps blessed?) by having what looks like a water colour of Hitler on the wall. Again, the politics are obscure.

Still, if you want a relentless, egocentric near-monologue, here it is. A few of the lines are very funny, such as Bates saying "I wanted a genius for a son, and all I've got is a nice person". The direction by Jonathan Kent, using the full depth and height of the Almeida stage, is – like Bates's performance – sensationally good.

For the record, Bernhard was born illegitimately close to a once little known place called Maastricht in 1931. His Austrian mother spent a year in a convent. He moved to Austria, established left wing credentials and died in 1989. Yet it is a strange kind of socialism that comes out in *The Showman*; perhaps the German title is more suitable: *Der Theatermacher*.

Obscurity belongs not only to Austrians. Gregory Motton's five-year-old *A Message for the Broken Hearted* has been revived in a Liverpool Playhouse production at the Battersea Arts. Motton still looks like an immensely promising dramatist writing about pain. It would help, however, to give some greater indication of context. And to pull the stage curtains every few minutes or so may give the indication of a hospital for the seriously disturbed, but it is an anti-theatrical device which holds up the action. (The real setting is in around a suburban house in south London.) Motton's test will be at the Royal Court next month with his new play, *The Terrible Voice of Satan*.

In fact, Motton would have fitted very well into the Springboards season of new work from the Royal National Theatre's Studio at the Cottelsoe. This is continuing with *He Who Saw Everything*, based on the ancient epic of Gilgamesh and thought to be the world's oldest play. It is close to the story of Noah's Ark and also Greek myth. Directed by Tim Supple, it is very well done with some appealing musical accompaniment. But obscurity seems to be the order of the week. It is unclear why Gilgamesh is played by several characters.

Concert/Max Loppert

Monteverdi Vespers

The "BOC Covent Garden Festival of Opera and the Musical Arts" is the full title of a new initiative occupying six of the halls, churches and theatres in the Covent Garden area with festive music-making over the next 14 days. Whether London, a city still in the grip of recession and already over-supplied with competing musical events, really needs another such is yet to be established (by audience numbers, for one thing).

But the bill of fare itself is full of bold strokes, unusual combinations, meriting sympathetic attention. A specially mounted *Magic Flute* in the Freemasons' Hall and G & S *Trial by Jury* in the Bow Street Magistrates' Court may prove to be brilliantly imaginative feats of planning, or else merely gimmicky; less showy but assuredly substantial are the programmes of music-theatre in the Donmar, the masterclasses and recitals at the Royal Opera House, and the choral concerts (enticing ones: the Monteverdi Vespers, Purcell's *Fairy Queen*, Handel's *Belshazzar*) in St Paul's Church.

And indeed, any festival launching itself – as this one did on Monday – with Monteverdi followed by a firework display in the Covent Garden concourse must have its heart in the right place. St Paul's is a fine location for the 1610 Vespers, intimate yet sufficiently resonant; and since those features of ambience seemed to chime exactly with the stylistic tenets of the performance by Paul McCreesh's Gabrieli Consort and Players, the experience was continuously cogent, gripping, expertly co-ordinated.

McCreesh opted for small forces, particularly avoiding "additive" scoring; his consort of singers functioned equally efficiently in choral or solo roles, and his directorial tread was unfailingly nimble. As ever in these spare, British-accented accounts of Monteverdi currently in vogue, certain essentially Latin qualities tended to go missing – grandeur, thrusting boldness of colouring, a sense of elating instrumental and vocal virtuosity.

Only in the tenor-voice statement-and-echo phrases of "Duo Seraphim" were they in any way evoked: the singers, Charles Daniels and Mark le Brocq, achieved at last the frisson, the mysterious lightning-flash of drama-in-music for which I had been longing all evening.

Festival sponsored by The BOC Group, with GRE (UK) Ltd and American Express; Monteverdi concert sponsored by Bertorelli's

INTERNATIONAL ARTS GUIDE

■ BONN

Oper Tonight: Puccini's Trittico staged by three women directors. Tomorrow, Sun, next Wed: Gian-Carlo del Monaco's new production of Cav and Pag, with Julia Varady as Santuzza. Fri: Valery Panov's production of Prokofiev's ballet Romeo and Juliet. Sat: Der Freischütz (773667)

■ COLOGNE

Philharmonie Tonight: Hugh Wolff conducts St Paul Chamber Orchestra in works by Ravel, Shostakovich, Copland and Mozart, with piano soloist Emanuel Ax. Tomorrow, Fri, Sun, next Tues and Thurs: Cherubini Quartet's Beethoven cycle. Fri at 23.00: Lionel Hampton Big Band (2801)
Opernhaus Tonight and Fri: Entführung Tomorrow and Sun: Der Rosenkavalier with Margaret Marshall, Dolores Ziegler and Günter von Kannen. Sat: choreographies by Jochen Ulrich. May 28: Brigitte Fassbaender song recital (221 8400)
Schauspielhaus Sun: first night of new production of As You Like It. A new staging of Goethe's Clavigo opens on Sat at Probebühne Stammstrasse 36, Ehrenfeld (221 8400).

■ COPENHAGEN

Tivoli Tomorrow: Hiroyuki Iwaki conducts Tivoli Symphony Orchestra in works by Ichiyanagi, Beethoven and Shostakovich, with piano soloist Katrine Gislinge. Fri: Julius Rudel conducts Royal Opera Orchestra in Schnittke and Prokofiev, with cello soloist David Geringas. Sun, Mon: Iona Brown directs Academy of St Martin in the Fields in two programmes, including Britten's Frank Bridge Variations and Bach's Double Violin Concerto and Vivaldi's Four Seasons (3315 1012)
Royal Theatre Tonight and Sat: Weill's Mahagonny. (3314 1002)

■ DRESDEN

DRESDEN FESTIVAL
Tomorrow's opening performance at Semperoper is Hommage à Rakhmaninov, pairing his 1906 opera The Miserly Knight with a new ballet (repeated on Sun). Nederlands Dans Theater gives guest performances on Fri and Sat. Bavarian State Ballet brings the Neumeier production of Nutcracker next Tues and Wed. Budapest Chamber Opera stages Gluck's Orfeo tomorrow and Fri at Kleines Haus, and Polski Teatr Tanca brings ballets with music by Ginastera and Szymanowski to Schauspielhaus on Fri and Sat. Jörg-Peter Weigle conducts Berlioz's Grande Messe des Morts on Sat at Kulturpalast, with Dresden Philharmonic Orchestra and State Opera Chorus. The festival runs till June 6 (486 6666)

■ FRANKFURT

MUSIC/DANCE
Alte Oper Tonight, tomorrow, Fri: Marc Piollet conducts Frankfurt Radio Symphony Orchestra in Strauss, Weber and Berlioz, with clarinet soloist Sharon Kam. Sat: Jean-Pierre Rampal is flute soloist with London Festival Orchestra. Sun: Moscow Chamber Orchestra. Mon: Menuhin Festival Piano Quartet. Next Tues: Melos Quartet (1340 400)
Jahrhunderthalle Hoechst Tonight: Mikhail Baryshnikov White Oak Dance project. Sat: Warsaw State Operetta in Johann Strauss' Eine Nacht in Venedig (3601 240)
Opernhaus Tomorrow: Aribert Reimann's opera Troades. Sat: Rigoletto. Sun: William Forsythe's ballet Slingerland (236061)
THEATRE
Schauspielhaus Tonight, Fri, Sat: new production of Schiller's Don Karlos, directed by Wolfgang Engel. Tomorrow and Sun: Sophocles' Antigone (2123 7444)
Kammerspiele Fri: first night of new production of Ibsen's Hedda Gabler, directed by Jürgen Kruse (2123 7444)
English Theater Kaiserstrasse Fri: first night of new production of Alan Ayckbourn's farce Taking Steps. Daily except Mon till July 24 (2423 1620)

■ GOTHENBURG

Konserthuset Tonight: Myung-Whun Chung conducts Gothenburg Symphony Orchestra and Chorus in concert performance of Carmen (167000)
Stora Teatern Fri: Robin Stapleton conducts Francesca Zambello's production of Falstaff, with Ingvar Wixell. Final performances May 28, June 3, 5 (131300)

■ HAMBURG

Staatsoper Tonight, next Tues: Madama Butterfly with Yoko Watanabe, Giorgio Merighi and Franz Grundheber. Tomorrow: Christian Thielemann conducts revival of Ruth Berghaus' staging of Tristan und Isolde, with Wolfgang Fassler and Gabriele Schnaut. Fri, Sun: choreographies by Mats Ek and Lar Lubovitch. Sat: Die Zauberflöte (351721)
Musikhalle Sun morning, Mon evening: Luciano Berio conducts Hamburg State Philharmonic Orchestra in his own arrangements of Mahler and Brahms, with clarinet soloist Sabine Meyer (354414)

■ LEIPZIG

Opernhaus Tonight: Udo Zimmermann conducts Gottfried Pilz's new production of Rameau's Hippolyte et Aricie. Tomorrow: Lohengrin. Sat: Marek Janowski conducts concert performance of Parsifal. May 28: stage premiere of Stockhausen's Dienstag aus Licht (7168 273)
Gewandhaus Tomorrow and Fri: Volker Rohde conducts Gewandhaus Orchestra in works by Baur, Weber and Dvorak. Sun and Mon: Krzysztof Penderecki conducts MDR Symphony Orchestra in Mendelssohn, Penderecki and Dvorak (7132 280)

■ LYON

The redesigned Opéra de Lyon is in the midst of its opening celebrations. Tomorrow is the first night of Lully's Phaéton, conducted by Marc Minkowski and produced by Karine Saporta (repeated May 26, 31, June 1, 6). Les Contes d'Hoffmann is conducted by Kent Nagano and staged by Louis Erlo, with a cast including Galvez Vallejo, José van Dam, Gabriel Bacquier and Barbara Hendricks (May 21, 24, 27, 30). Debussy's Rodrigue et Chimène is conducted by Nagano and staged by Georges Lavaudant (May 23, 29, June 3, 5). Coppelia is staged by Maguy Marin (May 22, 28, June 4, 7, 8). Anne Sofie von Otter gives a recital next Tues (7828 0960)

■ MUNICH

Prinzregententheater Tonight: members of Bavarian State Ballet dance their own choreographies (221316)
Deutsches Theater Daily till May 27: Rigoletto, staged production with young soloists from Italy. May 29, 30: Mikhail Baryshnikov's White Oak Dance Project (5523 4360)
Gasteig Tonight: Bruno Giuranna directs Padua Chamber Orchestra in works by Mozart and Boccherini, with violin soloist Viktoria Mullova. Next Tues, Thurs, Fri: Günter Wand conducts Munich Philharmonic Orchestra in Schubert symphonies (4809 8614)
Herkulessaal der Residenz Sat: Munich Chamber Orchestra plays Vivaldi, Pergolesi and Handel. Mon: Radu Lupu piano recital (299901)

■ STOCKHOLM

Drottningholm Elisabeth Söderström's first season as director opens tomorrow with Haydn's La fedelta premiata. The season also includes Grétry's Zémire et Azor and Soler's Una cosa rara, plus Ivo Cramer's Figaro, ballet pantomime after by Beaumarchais (660 8225)
Royal Opera Tomorrow afternoon, Fri evening: Boccaccio. Sat: choreographies by Balanchine, Ulysses Dove and Ulf Gadd. Next Tues, Wed: Beryl Grey's production of Sleeping Beauty. May 28: revival of Götz Friedrich's production of Meistersinger (248240)

■ STRASBOURG

Palais de la Musique Tonight: Heinz Wallberg conducts Strasbourg Philharmonic Orchestra in works by Beethoven, Shostakovich and Brahms, with cello soloist Frans Helmerson. May 27, 28: Theodor Guschlbauer conducts Mahler's Second Symphony (8837 6777)
Théâtre Municipal Next Tues: William Christie directs Les Arts Florissants in first of five performances of Marc Antoine Charpentier's Médée (8875 4823)

■ STUTTGART

Staatstheater Tonight, Sat, next Tues: Philippe Auguin conducts Ruth Berghaus' new staging of La traviata. Tomorrow: Die Zauberflöte. Fri, next Mon and Wed: Stuttgart Ballet in choreographies by Zanella and Béjart. Sun: Fidelio (221795)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(All times are Central European Time)
MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

Peace and its pieces

Managing difference is crucial to avoiding war

How can people who feel profoundly different from each other live together without fighting? In the present state of the world, it is hard to think of a more urgent question. The disaster of Yugoslavia, not to mention Northern Ireland, has made Europeans more aware of it. But it is no less urgent in Africa, Asia and the Middle East.

The usual answer is that what is needed is strong authoritarian government, feared equally by all. This has not solved the problem of war between states but it has prevented, or at least contained, conflict within state borders. The British, the Ottoman, and more recently the Soviet, empires all did this while they lasted. In each case, the break-up of empire has been accompanied or followed by bitter inter-communal fighting.

Clearly, such conflicts pose a more serious challenge to democracies, where people are supposed to rule themselves and the will of the people is ascertained by majority vote. Majoritarian democracy works only so long as the citizens of a state feel that they constitute one people. If some of them feel that they are actually a different people, or part of one, they will not accept that the others have a right to represent and rule over them simply by virtue of being more numerous within the state's borders.

How far does democracy depend on "shared values"? That question was asked, but not clearly answered, at an Aspen Institute symposium held in Israel two weeks ago. It is a question that bothers Israelis for two reasons.

First, Israel is a state based on an ideology, Zionism, which is not shared by two important minorities among its citizens, namely the Arabs and the orthodox religious Jews.

Second, even among those who do accept Zionism, there is a wide cultural gap between the founders of the state – European, or Ashkenazi, Jews – and the Sephardi or oriental Jews, who arrived later but now form the majority. Many Ashkenazim feel that democracy can be sustained only if the orientals assimilate European culture and values, whereas many orientals are determined to maintain their culture and feel they are the victims of discrimination.

The problem should be familiar to anyone from western Europe, where concern is often voiced about the supposed threat to democracy from minorities who cling to Islamic or other "imported" value systems. And there are now similar anxieties in the US about the insistence of the Hispanic minority on retaining its own language and culture. This is seen as a rejection of the "melting-pot", which successfully fused earlier waves of immigration into a homogeneous American culture.

Democracy is seen as inseparable from individuals' freedom to assert a group identity

At the symposium, a newspaper cutting was handed around, in which it was reported that the French state has now decided to encourage education in regional languages, after 800 years of trying to suppress them. Jacobinism, or forced assimilation, has apparently been abandoned even in its birthplace. Democracy is now seen as inseparable from pluralism, that is from freedom for individuals to assert and maintain whatever group identity seems important to them.

Does that mean that "shared values" are no longer necessary? I am not sure. One value at least needs to be shared, namely the acceptance of democracy itself, or at least willingness to obey the law.

Clearly education has a vital part to play in convincing people that they are indeed citizens of the state in which they live, with the rights and obligations that this entails. But attempts to indoctrinate them with an official or national ideology, or to suppress their inherited loyalty and culture, are likely to be counter-productive. Witness the general derision which greeted Lord Tebbit's suggestion, a few years ago, that support for an overseas cricket team was incompatible with the obligations of British citizenship.

The problem is more acute where a minority is concentrated in, or historically identified with, a particular part of a state's territory. There is then the temptation to think that "good fences make good neighbours", and to try and make frontiers correspond to ethnic divisions, by applying the principle of self-determination. But how does one decide the size and shape of the territorial unit to which this principle applies? And, even if applying it solves the problem of the national minority by turning it into a local majority, all too often the problem then simply reproduces itself on a smaller scale with a local minority.

Almost inevitably, the process leads to uprooting people from their homes, which can be done only by coercion. This often involves the most vicious brutality, as is happening in Bosnia now. In most cases, it must be preferable for people to find ways of living together without moving either the frontier or the people themselves.

Precisely to help them do that, last December the Conference on Security and Co-operation in Europe (CSCE) appointed a High Commissioner for National Minorities: the former Dutch foreign minister, Mr Max van der Stoel.

It has become a commonplace to say that there are now no good solutions in Bosnia, and that Europe is paying now for its failure to avert the conflict through timely preventive diplomacy. Mr van der Stoel is supposed to ensure that such a fatal mistake is not repeated. Yet he has been given an annual budget of just $250,000, and a staff of four. Surely avoiding further Bosnias deserves a higher priority than that?

By the time you read this I shall have started a seven-week sabbatical, during which I hope to explore the linguistic frontier between Latins and Germans, from Dunkirk to Trieste.

Europe's new cold warriors

Mars is stepping up its battle with Unilever in the ice cream market, says **Guy de Jonquières**

The European cold war between Unilever, the Anglo-Dutch consumer products group, and Mars, the US food manufacturer, is hotting up. This month, a new front was opened when Britain's Monopolies and Mergers Commission launched an investigation into ice cream makers' distribution practices.

The inquiry, which will focus on the £350m UK market for "impulse" ice creams typically sold by small corner shops, marks an important advance for Mars' three-year legal and regulatory assault on Unilever's grip over ice cream sales across Europe.

The ferocity of the conflict, and the boisterous public relations campaigns mounted by the two sides, show that this is no ordinary trade dispute. At its heart lies a struggle for a rapidly-expanding business worth billions of pounds a year, which is central to both companies' future.

Unilever is defending a commanding 40 per cent of European ice cream sales, valued at about £6bn annually at retail prices. Ice cream is among the most profitable and fast-growing of all the group's £11bn worldwide food operations – owing to a stream of product innovations which have recently injected new life into a previously unexciting business.

The catalyst was Mars' launch in 1989 of premium-priced ice cream versions of its chocolate bars. Almost overnight, it created a thriving luxury sector of the market into which many other manufacturers, including Unilever, have moved and which is now the industry's biggest source of profits growth.

The problem for Mars is to avoid becoming a victim of its own success, as rivals increasingly challenge its early lead. The company needs to secure its position quickly to achieve satisfactory returns from its heavy investments in ice cream – but also because it is under increasing competitive pressure in its other businesses worldwide.

Mars' answer has been to attack Unilever's control over distribution and, in particular, its long-standing use of a practice known as "cabinet exclusivity". This involves supplying freezer cabinets free of charge to small retailers who sell the bulk of impulse ice creams, on condition that the freezers do not carry competitors' products.

Hostilities broke out in 1990, when Unilever obtained a court injunction in Ireland prohibiting Mars ice creams from being stocked in Unilever cabinets. Mars retaliated by appealing against the ruling and complaining to the European Commission that the Anglo-Dutch group's distribution methods violated EC competition law.

Last year, Brussels handed Mars a partial victory by outlawing separate arrangements used by Unilever and Schöller, a German ice cream producer, to keep rivals' products out of German retail outlets. The European Commission expressed reservations about the commercially more important issue of cabinet exclusivity, but it said it needed time to investigate.

When EC competition authorities will pronounce is not known. Nor is it clear what will happen if Brussels, the MMC and the Irish court hearing Mars' appeal reach different conclusions. But for the two companies, at least, the issues in dispute are clear-cut.

Mars contends that cabinet exclusivity unfairly inhibits entry into the ice cream market and penalises smaller producers, particularly in the many small retail outlets which have room for only one freezer.

Unilever counters that it is entitled to exclusive use of its own cabinets, and that its strength in ice cream stems largely from its products and marketing expertise. It also points out that six companies have entered the UK ice cream market in the past five years.

These arguments have failed to convince Sir Bryan Carsberg, the director general of fair trading. When referring the case to the MMC, he suggested that cabinet exclusivity was "a major factor" in the growth of Unilever's share of ice cream sales and that consumers would benefit if retailers were free to stock a wider choice of products.

Sir Bryan's stance has heartened Mars. Some food manufacturers and independent industry experts, however, claim to detect a hint of desperation in the company's legal campaign and its readiness to shed some of its habitual secrecy in an effort to drum up favourable publicity.

The campaign comes at a time when the privately-owned Mars is fighting an uphill battle in established core businesses, notably confectionery, of which it is the world's largest producer after Nestlé of Switzerland.

The company's shares of its three biggest markets – the US, Britain and Germany – are in decline, in spite of an aggressive marketing effort and product innovations and relaunches. Rivals are also nibbling away at Mars' sales of pet food, its other main product line, in several countries.

Some observers attribute these reverses to senior managers' preoccupation with the ice cream business and to a recent sweeping reorganisation of Mars' European operations. Several competitors report an unusually large number of job applications from disaffected Mars executives, who say the company's new European structure has left them confused about their roles.

Making a success of ice cream appears, therefore, of vital importance to Mars, which has built a £20m plant in eastern France to supply the entire European market. So far, however, its market penetration has been uneven. Though the company will not disclose its total European ice cream sales, the bulk is believed still to be in Britain, where it had about 10 per cent of the £770m ice cream market last year.

Mars' strength in the wrapped impulse sector, which is at the heart of the distribution battle, depends on whose figures you believe. The company claims 16 per cent of the UK market last year. Unilever puts Mars' share at 10 per cent. Both agree, though, that Unilever had about two-thirds of the market, and that Mars' share fell slightly from 1991.

What is clear is that competition in the UK is set to intensify following Nestlé's recent acquisition of Clarke Foods, the UK's second largest ice cream maker. Not only is Nestlé the world's biggest food manufacturer; it also distributes and stocks Mars' ice cream in the 20,000 cabinets it owns.

Nestlé will not say whether the arrangement will continue beyond this year. But that seems doubtful, given that the two companies compete directly in confectionery and that Nestlé says it strongly favours cabinet exclusivity.

No wonder Mars' lawyers are working overtime. But how much does the company stand to gain if they succeed? Most observers agree that the profits and sales of Unilever, which has invested £20m in exclusive cabinets in the UK alone, could be dented if the practice were banned. But few think the damage would be severe or long-lasting.

Mars says its products emerged as best-sellers from a recent trial by a chain of UK newsagents, which replaced freezers supplied by manufacturers with its own cabinets. Since the trial was instigated and financed by Mars, though, the results can hardly be deemed conclusive.

But many independent experts think Mars is investing too much faith in its efforts to open the market. They point out that competitors of all sizes are still pouring into the premium ice cream business. Many offer broader ranges than Mars, which has relied entirely on making ice cream versions of its leading chocolate brands.

"I think Mars is rather behind in the competitive game now," says Mr Clive Richardson of stockbrokers Henderson Crosthwaite. "It should have won these legal battles three years ago, when it had the market to itself."

Undaunted, Mars insists it will press its legal campaign to its conclusion and is confident of victory. But whatever the courts and regulators decide, the company's struggle to recapture its early lead looks as though it may have only just begun.

World ice cream sales, 1992
(£m) at manufacturers' selling price

	Unilever	Nestle	Schöller	Haagen Dazs	Breyer	Mars
Europe	1,550	200	400	59	–	150
North America	209	150	–	200	300	100
Rest of World	150	150	–	100	–	–
Total	1,900	500	400	350	300	250

Unilever's European ice cream sales, 1992

	Market volume (litres m)	Market value* (£m)	Unilever market share	Share of Unilever's European sales
Germany	520	1,000	40%	25%
Italy	400	700	40%	19%
UK	420	500	40%	13%
Scandinavia	300	400	35%	11%
Spain	160	300	30%	7%
France	320	400	20%	8%
Benelux	160	300	30%	7%
Other	200	300	50%	11%
Total	2,500	3,900	40%	100%

*at manufacturers' selling price
Source: Henderson Crosthwaite

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Transfer role of Tecs to further education

From Mr Ansel Harris.

Sir, Many of us will endorse the headline to your leader "Tecs in a tangle" (May 10), but not with your conclusion that the 1,220 directors of Training and Enterprise Councils are "generally satisfied with the progress".

The report on which you are commenting is not based on the responses of the 1,220 members, but on only 506 of them, or 41 per cent. Furthermore, only 17 per cent of the directors were very satisfied with overall progress, compared with 26 per cent in last year's survey. While last year 7 per cent thought progress was very unsatisfactory, that figure has increased to 10 per cent.

We should not be surprised that over the four years since the launch of Tecs their goals have become diffused, the problems of training and retraining more urgent and the climate for enterprise colder. The temptation is yet another repackaged initiative and Mr Heseltine, the trade secretary, with his one-stop shops, has fallen for that temptation.

The most urgent need is for technical and vocational education. In the years concurrent with the Tecs' confused, faltering steps, the capacity of our further education colleges, with their more dedicated and motivated staffs, has transformed what was once called "that neglected sector".

I believe, having in the last 10 years served both as the chairman of an enterprise trust and as the chairman of governors of colleges of further education, that the latter, directed by professionals, assisted now by dedicated nominees from the private sector, can provide the vehicle most likely to deliver what the economy requires.

I urge perhaps not vainly – for the government is constantly tinkering with its training initiatives – that the Tecs be closed down. Their training role should be put where it belongs, in the further education sector, the (lesser) enterprise role into the one-stop shops. As an additional benefit some of the £2bn Tec budget would be saved.

Ansel Harris,
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Russia needs backing for targeted projects in addition to aid at macro-economic level

From Sir Ronald McIntosh.

Sir, Your leader of May 13 ("G7's Russian roulette"), rightly underlines the need for the western democracies to adopt a bolder and more imaginative approach to Russia's economic problems.

Discussion has so far largely concentrated on the role western aid can play at the macro-economic level by encouraging tighter budget discipline and bringing inflation under some sort of control. These are of course essential objectives which are crucial to the success of the reform process. But Russia's economic miracle, unlike Germany's since the second world war, will not be achieved simply – or perhaps even primarily – by macro-economic policies, however well conceived and executed.

Because of the physical and mental rigidities engendered by years of state control, macro-economic policy needs to be complemented by well directed and painstaking action at the micro-economic level. And since tighter budget discipline will have an adverse effect on most Russians' standard of living for some time, micro-economic aid should be targeted at projects which are directly relevant to everyday lives of ordinary citizens.

Technical assistance of the kind supported by the British government's Know-How Fund has an important part to play in promoting beneficial changes at the micro-economic level. But something more is required if the long-suffering Russian people are to be given any hope of tangible improvements in their standard of living while the macro-economic policies do their work.

I believe part of the new western aid package should take the form of soft loans, which would be repayable in foreign currency when the rouble becomes fully convertible and available for financing new capital projects in such fields as food processing and healthcare (two sectors where I have direct experience of current conditions in Russia).

The financing of these projects – which could include such things as dairies, bakeries, hospitals and medical equipment factories – should be linked to the continuing provision of western technical assistance and management expertise.

This approach would in my view meet an urgent human need and be of long-term benefit (both economic and political) to Russia and the donor countries. It would fit comfortably with the concept of a "second Marshall fund" envisaged in your own leading article.

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An ode to social class

From Ms Mary Sweet.

Sir, I have just read your excellent article, "Victim of class action" (May 15). With all the talk about class and classlessness, I feel utterly confused, and haven't the foggiest idea what, if any, class I am.

But perhaps my late father summed it up perfectly in a poem he used to recite: "There were two moles of equal worth; but not it seems of equal birth. The one who said his blood was blue, was much the bloodiest of the two".

Mary Sweet,
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UK brewing industry one of the most competitive

From Mr Robin Simpson.

Sir, You reported on a study by Lehman Brothers which alleged that the UK wholesale price of lager was twice the level in France and the Netherlands and that brewer productivity in the UK fell 11 per cent between 1989 and 1991 ("UK brewers top list for dear beer", April 5).

Both these statements are incorrect. Government figures show a productivity growth of 0.6 per cent between 1989 and 1991. Also, using this short period does not give the full picture since productivity grew by 21.5 per cent from 1985 to 1991. These figures are based on UK employment data which include work areas excluded from comparable Continental figures.

On price, the comparisons in the report are for standard lagers defined as 4.5 per cent to 5 per cent alcohol. This may be the right basis for Continental countries where such beers account for at least 80 per cent of sales; in the UK they account for a little more than 10 per cent of total volume. The comparison is therefore between mainstream Continental beers and specialist UK beers, and is not comparing like with like.

Typical supermarket prices for leading lagers of about 4 per cent convert to £106-£113 a hectolitre. These figures include excise duty and retailers' gross margins and yet are below the Lehman Brothers wholesale price, net of all duties, of £117. Net of duty, but still including the retailers gross margin, prices fall to £65-£70 a barrel.

Overall, it is clear the UK brewing industry is one of the most competitive in the world, with five national brewers and a large number of smaller companies providing active competition. This contrasts with most other countries where there are invariably fewer leading players, and the industry is often dominated by one or two companies.

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Bank's report on inflation

THE GOOD news is that the Bank of England's best estimate of underlying inflation over the next 18 months is 3-4 per cent. The bad news is that people do not believe the government will meet its 1-4 per cent target for inflation in the long run. The worry is that the costs attendant upon convincing people they are wrong will so frighten the government that the sceptics will be proved right.

The Bank of England's latest report on inflation derives estimates of expected annual inflation for between two and 25 years from now. Expected annual inflation, it shows, rises from 4 per cent two years hence to more than 6 per cent 8 years from now, before declining to 5¼ per cent. At no point is annual inflation expected to fall within the target range.

These results ought to make the chancellor weep. But it is not difficult to see why people are so sceptical. Past performance is one good reason. Another is the evident temptation. The ratio of net public sector debt to gross domestic product is expected to jump from 33¾ per cent in 1992-93 to 49¾ per cent in 1997-98. Such a rapid rise will itself increase the incentive to inflate, especially when the long-term real rate of interest on conventional gilts will be double the economy's trend rate of growth, should the government's inflation target be achieved. The rise in indebtedness occurs despite the higher taxes announced for future years in this year's Budget. But it may be doubted whether a weak government will introduce these increases, never mind the further increases that may be needed.

The most important reason, however, for questioning the government's commitment is that achievement of its target may prove inconsistent with steady economic growth and declining unemployment. "Looking to the end of 1994 and beyond," notes the report, "the principal uncertainty concerns the response of domestic factor costs – wages and profits – to the loss of purchasing power resulting from depreciation of the currency."

The long-term future for wages, both nominal and real, is the principal doubt. If nominal wage growth were too high, the target for inflation would either not be met or it would be met at the expense of a renewed squeeze on profits, employment and growth. If real wage growth were to be too high, inflation might be low, but growth would fail to reduce unemployment by any large amount. Either way the government might panic and try to go for growth, whatever the risks for inflation.

It is not good enough for the government to be determined to achieve its target. It must convince others it is determined. Otherwise, the costs of the achievement could prove excessive and the achievement itself correspondingly less plausible. Sensible policymakers would be exploring every possible means, including independence for the Bank of England, to achieve the credibility that still eludes them.

Inside profit

THE INTEGRATION of German trade unions into the structure of German capitalism has been an abiding feature of the country's economy this century. After the second world war, co-operation between trade unionists and management, especially the joint presence of employees' and shareholders' representatives on supervisory boards, greatly contributed to West Germany's industrial recovery.

Sometimes, however, trade unionists are well advised to keep a clear distance from the seductive world of money-making. By purchasing shares in a Daimler-Benz holding company shortly before their stock market price rose sharply, Mr Franz Steinkühler, the IG Metall engineering union leader, and a member of Daimler's supervisory board, appears to have overstepped the limits of both propriety and good sense.

Mr Steinkühler is one of Germany's most gifted and astute union leaders. He played an important part in the strike in the east German engineering industry which has just ended with a partial, though probably pyrrhic victory for IG Metall.

In contrast to Anglo-Saxon countries, insider trading in Germany is not illegal, although banks and companies run a voluntary code to try to curb it. As part of efforts to improve Germany's standing as an international financial centre, the government is planning legislation to outlaw the practice.

Mr Steinkühler maintains that his share purchases were not prompted by inside information. He bought nearly DM1m worth of Mercedes Holding (MAH) shares in March and April, shortly before a formal supervisory board decision to dissolve the company, giving MAH shareholders large windfall profits. Such transactions by a person possessing both a sensitive public profile and access to insider knowledge displayed an absence of caution, to say the least.

Apart from anything else, the affair may raise doubts about Mr Steinkuhler's standing among union members – especially relatively low-paid workers in the east. Germany's roughly 4m people out of work, some of whom owe their unemployment to unduly high wage rises since unification, may also ask bitter questions.

Mr Steinkuhler's behaviour has evoked uncomfortable memories of earlier trade union blunders, such as over the Neue Heimat property scandal in the 1980s. He should now co-operate fully in the Frankfurt stock exchange's insider-dealing inquiries. If suspicions of malpractice are upheld, he will have no option but to resign.

On a wider front, the incident is a reminder of the temptations facing individuals from both sides of industry in a corporatist business culture based upon both consensus and a good deal of secrecy. The affair underlines the need for more transparency in German business life.

Cable telecoms

INFORMATION super-highways are becoming the rage on both sides of the Atlantic. Their advocates argue that such fibre-optic networks would be able to provide customers not only with basic telephony and cable television services but a range of advanced services such as video libraries, high-speed databases and home shopping.

US Vice-President Al Gore has picked up the idea, while a UK parliamentary select committee has launched an inquiry into the subject. Companies are also keen. Building such networks was the principal reason for this week's $2.5bn investment by telecommunications group US West in Time Warner Entertainment, a leading US cable television company. BT, the largest UK telecommunications group, is anxious to get into the business too.

While there is nothing wrong with such enthusiasm, it is important that information super-highways are built because of genuine consumer demand rather than out of a desire by politicians and engineers to promote a captivating new technology. Such a technology-driven approach, dubbed *plan cable*, was tried by France in the 1980s and failed.

But if development of such networks is to be left to the market, it is important that the market is allowed to function freely. Unfortunately, in both the US and the UK, regulatory barriers prevent the main telephone companies providing entertainment services over their networks. This undermines the economics of fibre-optic technology, since the phone companies are denied the chance to tap an important source of potential revenue which could be used to pay back their investments.

There seems little reason why this restriction should not be removed in the US. Mr Gore would be well advised to put his weight behind such deregulation and abandon his current flirtation with subsidies.

In the UK, the situation is more complicated because the government made a clear statement only two years ago that the ban would remain until 2001, subject to possible review in 1998. The idea was to protect fledgling cable TV companies from competition from BT until they were better established.

This argument was wrong-headed. Governments have no more business to force-feed competition than they do to force-feed particular technologies. But, given that the commitment was made, there would have to be compelling reasons to overturn it. These are lacking since it is highly unlikely that BT would immediately put fibre into people's homes even if the ban was removed.

However, there is a compromise which would allow BT to get moving without going back on promises to the cable industry. This would be for the government to remove the ban now for those parts of the country where no cable franchises have been awarded and to indicate that it favours lifting the ban entirely in 1998.

Reign in Spain is put to the test

Recession and corruption scandals threaten to unseat Felipé González in three weeks, says Peter Bruce

Just a year ago, as Spain was celebrating the opening of the World's Fair in Seville and preparing for what would be a glorious summer Olympics, few could have predicted how quickly the tide would turn against Prime Minister Felipé González. An economy mired in recession and a wave of corruption accusations against his Socialist party have turned the general election on June 6 into a cliffhanger.

The election is being fought against the backdrop of last Thursday's 8 per cent devaluation of the peseta, the third in eight months, and a crippling economic slowdown. In the first quarter of the year 253,000 people lost their jobs, almost 3,000 a day, to take Spanish unemployment to an historic 3.3m, or 21.7 per cent of the working population. This means 1m more people are out of work now than in 1982, when Mr González' Socialists came to power.

Soaring unemployment merely compounds a gloomy economic picture. The deficit on Spain's current account, in surplus until 1988, reached 3.3 per cent of gross domestic product last year, though the recession is now causing it to fall. The country had the second-highest trade deficit in the west last year at $29.2bn. The government, which has overshot public spending targets by up to 60 per cent in three of the past four years, has been forced to delay promised personal tax cuts to prop up own finances.

But Mr González is not fighting only on the economic front. The Socialists face a series of corruption allegations over illegal party financing which have undermined his credibility. He tried, and failed, earlier this year, to persuade party officials, usually hostile to many government's economic policies, to take responsibility for the irregularities but nobody was willing to resign.

Outmanoeuvred and aware that the poor relationship between the government and the party could not be easily smoothed over, Mr González gambled on a snap election, bringing the vote forward by about five months.

The essence of the gamble was simple. The economy would not show an upturn before the election and, thus, the Socialists would probably lose their overall majority in parliament. But Mr González was confident the opinion polls were accurate in showing him to be more popular leader than Mr Jose Maria Aznar, the young new leader of the conservative opposition, the Partido Popular (PP), and thus he might keep his job as prime minister. He was banking on Spain voting, as before, for a strong political leader, and not concentrating on subtle differences of policy.

The gamble was risky, but it was beginning to pay off: by last Thursday, the Socialists had crept back into the lead in some polls after trailing at the beginning of the campaign. With half the electorate still declaring themselves undecided, the assumption took hold that Mr González, rather than Mr Aznar, had the best chance of winning them over. Most undecided voters are disillusioned former Socialists who, according to a European diplomat in Madrid, "are just waiting for Felipe to give them a reason to stay with him one more time".

Then came last week's devaluation. It was a bitter blow to the prime minister. It coincided with the announcement of a big leap in unemployment and an uncomfortable 0.4 percentage point increase in inflation in April, to an annualised rate of 4.6 per cent.

The gamble suddenly looked shaky. But, by early this week, it was difficult to detect signs that the PP had been able to capitalise on "Black Thursday" and put itself decisively at the front of the race. Polls in next Sunday's newspapers could tell a different story. At this point, however, and despite the bad news, Mr González is still very much in the race.

Partly, this resilience can be explained by the fact that official figures do not reveal the truth about the economy. Real unemployment is much lower than the official 3.3m and Mr González himself reckons Spain's black economy might be half as big again as the official $478.2bn gross domestic product figure for last year. A few weeks ago, 400,000 small Spanish investors bid for shares in the partial privatisation of the state's Argentaria bank. The issue was oversubscribed nearly five times.

Mr González is also helped by Mr Aznar's failure to present himself to voters as a clear and attractive alternative. While he has been able to unite his party over the past three years, Mr Aznar has failed to put forward detailed proposals in the campaign on how to stimulate growth. Instead, the PP has opened itself to criticism for welding together a vague set of principles – lower taxes, more privatisations, tighter fiscal control and maintaining infrastructure spending at current levels – that it is marketing as its economic platform.

Mr Aznar says he needs to do an audit of the state of the country before deciding how to revive the economy, something he can do only if and when he assumes office. He cannot rule out raising taxes if the "audit" shows the economy in worse shape than he assumes it is. The problem for the PP is that it agrees broadly with the government's efforts to encourage the Spanish economy to converge with the rest of the European Community to meet the timetable for economic and monetary union.

Mr Juan Lladro, one of Spain's leading businessmen and a producer of fine porcelain figures, says "very little" would change if the PP were to win the general election. "The PP is, in theory, conservative but, in practice, it would be the same as the Socialists."

Both parties agree on the need to contain public spending; freeze taxes and then cut them later; lower interest rates, now at 11.5 per cent, when inflation is lower; make it easier for employers to hire and fire; support the peseta within the exchange rate mechanism of the European Monetary System; and use public funds to stimulate employment and investment.

But, says Mr Rodrigo Rato, the PP's finance spokesman: "I, at least, have my party behind me when I talk like this. Carlos Solchaga (the Socialist finance minister) has to fight his party all the time."

But, even with his party behind him in government, Mr Rato would find life in the new parliament complicated. Spain's two big regional parties – the PNV which runs the Basque country and the CiU which runs Catalonia – will be the main power brokers in what is likely to be a hung parliament. If the result is close, complex coalition negotiations could seriously delay the formation of a government and result in new pressures being brought to bear on the peseta.

The financial markets would expect a new administration to put together an austerity package to cut the current account deficit and thus help anchor the peseta at its new parity within the ERM. But the regions would demand a heavy price for their co-operation in the form of a speedier transfer of political powers from Madrid in areas such as health, education and taxes.

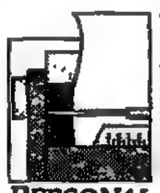
The Catalans and Basques intend to spend the rest of the campaign playing the Socialists and the PP off against each other to ensure that both big parties are as weak as possible after the election. The Socialists and the PP need to win as many seats outright as possible to lessen dependence on regional assistance.

For his part, Mr González is concentrating on swaying undecided voters. He could still stumble, but the worst of the economic news is probably behind him. For many people who voted Socialist in 1989 and who are now wavering, the main election issue is corruption. Building bridges to those former supporters who now feel betrayed will be delicate work.

For instance, the Socialist attorney-general recently admitted he had granted an audience to a former policeman jailed for involvement in a secret war against exiled Basque terrorist group, ETA. The disclosure has renewed concern that the government secretly financed this "dirty war" and may pardon the policeman. That suspicion could cost Mr González the votes of left-leaning doubters.

But, barring further revelations about the government's fight against ETA during the 1980s, the odds on Mr González's returning to the prime minister's Moncloa Palace residence after June 6 must remain good. It should be remembered that, two days before the referendum on whether Spain should stay in Nato in 1986, polls showed Mr González – who had staked his job on a Yes vote – losing. He won.

How Workstart should work



PERSONAL VIEW

Dennis J Snower on why the government's Workstart pilots do not capture his original vision

Watch the government's employment policy over the coming weeks, for we are in danger of losing an opportunity to cut Britain's unemployment rate dramatically – perhaps by 50 per cent or more – without additional inflation or cost to the Exchequer. The promise lies in the proposal to give the long-term unemployed the option of using their unemployment benefits to provide vouchers for employers who hire them. This is the gist of my benefit transfer programme, on which the government's Workstart initiative is based.

We have much to gain from giving it a try. If employers were paid as much to provide work as people receive when they are out of work, a substantial number of jobs is bound to be created. If the amount spent on employment vouchers does not exceed what would have been spent on unemployment benefits, the programme will necessarily be costless to the government. And if the size of the voucher rises with the length of a person's unemployment spell, the long-term unemployed receive the greatest incentive to become productive.

The Workstart pilot schemes, however, fall strangely short of this vision. They are available to just 1,000 people who have been unemployed for more than two to four years. To hire these people, employers are offered a subsidy amounting to £2,340 per year, which falls far short of the £8,000 that the average unemployed person costs the taxpayer. In comparison to what it saves in unemployment benefit, the government is not offering much.

Beyond that, the pilots do not induce employers to retain employees once their subsidies have run out. The simplest way of doing this is to provide incentives for employers to spend the subsidies on training, so that recruited workers become sufficiently productive to remain employable after the subsidy period. The chance to promote training while reducing unemployment is a godsend. People who have completed the government's existing training programmes often fail to find jobs and, as a result, workers often have little incentive to participate in them. By contrast, employers which spend their job subsidies on training would inevitably have an incentive to provide jobs once the training is completed and to ensure that this training is appropriate to the jobs. And this training would cost the Exchequer nothing.

Why, then, are the Workstart pilots not designed to exploit these opportunities? The simple answer, it appears, is that policy makers are sceptical that this policy can really promote employment. Once the employment objective has been abandoned, all that remains is to spread the pain of unemployment more equally.

In my judgment, this approach is misguided. It rests on two dangerous myths. The first is that Workstart could not create employment because, at the current level of demand, there is only a fixed number of jobs available. This overlooks the fact that, by reducing labour costs the subsidies lead employers to reduce prices, stimulating demand, and to use labour more intensively.

The second is that Workstart's ability to create jobs would be destroyed by "deadweight" (when the subsidies are spent on people who would have been employed anyway) and "displacement" of existing employees by the unemployed. But deadweight can be minimised by concentrating the subsidies on the long-term unemployed, since these people have relatively little chance of finding jobs. Displacement need not be a big obstacle either. When it is discouraged – by giving employers bigger subsidies when they can demonstrate that the mew recruits are additions to their workforce – the subsidies create new jobs directly. And when displacement is permitted, it can create jobs indirectly by reducing job security of existing employees.

Once these myths are exposed, we can see the crucial issue that policy-makers should be addressing: how to make the Workstart subsidies maximally effective in promoting employment and training. The more jobs are created, the less the government will have to spend on unemployment benefits; then it can afford to pay more generous employment subsidies, so that even more jobs will be created. But this is precisely where the Workstart pilots will leave us in the dark.

The Workstart pilots need to regain the vision that inspired them. With more than 10 per cent of the population unemployed, we have little time to waste. A programme that gives us the opportunity of slashing unemployment in a voluntary, costless, non-inflationary way deserves to be adopted on a national scale without delay.

The author, whose previous article on Workfare was published on February 23, is professor of economics, Birkbeck College, University of London, and programme director, Centre for Economic Policy Research

OBSERVER

Can the twins keep flying?

■ Who has the safer job – Jacques Attali, the president of the European Bank for Reconstruction and Development, or his twin brother Bernard, chairman of Air France?

Until recently, the betting would have been that Bernard boasted the greater degree of security, especially since the hullabaloo about the spending habits of the EBRD. The presidency of the London-based EBRD was never going to be an easy job, whereas the boss of France's flag carrier has long enjoyed the support of President Mitterrand.

Now however, not only has the political wind swung round, but Air France's losses have only been piling higher under Attali's pilotage. If France's new centre-right government really does intend to match words with action and adopt a much tougher stance towards state-owned loss-makers, such as SNCF and Air France, then there could be some truth in the rumours that Peugeot boss Jacques Calvet may be in the running to take over from Bernard Attali.

Having worked for Valéry Giscard d'Estaing at one stage, Calvet's politics are more in tune with the new government. During his 10 years at Peugeot, Calvet has proved that he knows how to rationalise a business and cut borrowings.

And when it comes to fighting his corner, he is, if possible, even more outspoken than British Airways' Lord King who restored the fortunes of Britain's national flag carrier.

Paying up

■ Among the deft bits of prudent accounting which helped the Institute of Chartered Accountants in England and Wales to get out of the red in 1992, one item stands out. The institute's £38,000 surplus is more than accounted for by a doubling, to £109,000, in income from "maintenance of professional and ethical standards" – in other words, a substantial increase in the number and level of fines against misbehaving members.

Initial search

■ Not before time, the search for Barclays' new chief executive has finally spread to the US and Observer understands that Tom Johnson, 52, the former president of Manufacturers Hanover Corporation (now part of Chemical Bank), has indicated that he's pretty keen.

Nothing official, of course. Headhunters Spencer Stuart have yet to draw up a short list and Barclays is still several weeks from making any formal approaches. But Johnson has been sounded out informally to see whether he would be interested in the position.

Given that Johnson has not had a high-profile job for nearly a year and a half now – apart from a two-week stint at troubled real estate developer Olympia & York where he made an estimated $3m – it would be surprising if he didn't show a passing interest in being chief executive of an international bank which not so long ago regarded Citicorp as one of its few real rivals.

Then again, Johnson has been mentioned as a possible head honcho of everything from the FDIC to the New York Fed.

Meanwhile closer to home, rogue banking analyst Terry Smith has spotted that the UK's three most successful bankers all have the initials BP – Brian Pitman at Lloyds, Brian Pearse at Midland and Bruce Patullo at Bank of Scotland.

Though none of these would accept the Barclays job, Smith's advice to Barclays is to recruit a banker with the same initials. The only candidate which springs to mind is Peter Burt, also of Bank of Scotland – though it is unclear whether the initials work their banking magic when they are in reverse order.

'We'll sack the scabs as soon as they've made their own replacements'

Roundabout

■ U-turns are becoming a fact of life for the prime minister, John Major. But in excluding John Butterfill, the portly MP for Bournemouth West, from the committee charged with scrutinising the finance bill, the government has surpassed itself. This was a U-turn on a U-turn.

When Butterfill's name was missing from the list of committee members originally published earlier this month, it was described as an "oversight" and the omission swiftly rectified.

But Butterfill has been dropped again. This time, according to one committee member, "a shady deal" had been hatched between the whips offices excluding one MP from both leading parties.

Who is supposed to be deceived? All Westminster knows Butterfill is no friend of the government's planned reform of the North Sea tax regime. His presence on the committee – which began its deliberations yesterday – would have resulted in an apparent majority for his proposed changes.

Jinxed

■ The curse on Shakespeare seems to be spreading. Last February, the Royal Shakespeare Company's production of Richard III at the Donmar Warehouse had to be repeatedly put off because Simon Russell Beale, who plays the king, developed back trouble, possibly from overdoing the hump.

A few Saturdays ago at the National Theatre, Alan Howard had to race through a key speech as Macbeth before leaving the stage to be audibly sick. The production was resumed 25 minutes later with an understudy. Now the formal opening of King Lear, which should have taken place in Stratford last night, has been postponed because Robert Stephens in the title role has a foot infection.

Obviously too much fooling about naked in the storm. Word is that he may be better tomorrow.

Literals

■ Noah's ark has just discharged its cargo of animals and is preparing to put to sea again when Noah notices a couple of snakes on deck. "What are you doing here? I thought I told you to get off the ark and go forth and multiply".

"We can't.... we're adders."

FINANCIAL TIMES
Wednesday May 19 1993

Pressure rises for Steinkühler to resign from Daimler board

By Quentin Peel in Bonn, Judy Dempsey in Berlin and David Waller in Frankfurt

GERMAN politicians and rank-and-file trade union members called last night for the resignation of Mr Franz Steinkühler, leader of the IG Metall engineering workers' union, from board memberships for alleged insider dealing in shares in a Daimler-Benz holding company.

The affair also brought new pressure for an urgent law to ban insider trading on the German stock exchanges.

Mr Steinkühler, the leading trade union member on Daimler's supervisory board, has denied the insider dealing charge but admitted buying almost DM1m ($620,000) worth of shares in the holding company, MAH. The shares increased in value by almost 20 per cent after a Daimler board decision to exchange them for full company shares.

Mr Otto Lambsdorff, leader of the Free Democratic party in the ruling coalition in Bonn, said Mr Steinkühler should resign all his supervisory board positions – in Volkswagen, Thyssen and Daimler-Benz – if there was any confirmation that he had abused his position.

Mr Heiner Geissler, a deputy leader of the Christian Democrat group in parliament, said it would be "probably better if Steinkühler were to quit".

Seven works councils at the Mercedes-Benz plant in Stuttgart, the automobile subsidiary of Daimler, called on the IG Metall executive for Mr Steinkühler to step down from his board membership.

Mr Karl Feuerstein, chairman of the overall works council for Daimler, said his members were shocked at the disclosure that any member of the supervisory council would speculate in company shares.

A senior union official in east Germany, where IG Metall members are on strike, was clearly shocked by the allegations.

"Here we are haggling over getting our members DM60 extra a month," he said, "and the media are talking about DM1m. I don't want to talk about it. I prefer speaking about millions of people in eastern Germany who have low wages, not about a millionaire."

There was also some sympathy, however, for Mr Steinkühler, who has won a reputation as a tough and successful negotiator for his members in more than six years as leader of the country's largest trade union.

Mrs Ursula Engelen-Kefer, deputy leader of the DGB trade union federation, said the share dealing was "an entirely private affair . . . The decisive issue is whether someone has pursued a correct and convincing policy."

The pressure for legislation to outlaw insider trading was stepped up in Frankfurt yesterday. Mr Rüdiger von Rosen, chief executive of the Deutsche Börse - the German stock exchange - said the Steinkühler affair made it imperative for the German government to bring forward its stock market reforms.

"We urgently need a centralised and internationally respected supervisory body for the securities industry," he said.

Mr von Rosen said the circumstances surrounding Mr Steinkühler's share purchases would form part of a broad investigation being conducted by the insider commission of the Frankfurt stock exchange.

Judge agrees prosecution prejudiced outcome with book on defendants

Soviet coup trial set to collapse

By Leyla Boulton in Moscow

THE TRIAL of the 12 Soviet coup leaders yesterday seemed set to disintegrate after a judge ordered the dismissal of the prosecuting team for prejudging the outcome by publishing a book about the defendants.

Presiding judge Anatoly Ukolov granted a motion by the defence that the prosecutors should be removed from the case because of "serious violations" of legal procedure by the Russian prosecutor-general, Mr Valentin Stepankov, and his deputy, Mr Yevgeny Lisov.

Defence lawyers argued for the prosecutors' dismissal on grounds of bias. They alleged that Mr Stepankov and Mr Lisov had violated defendants' rights last year when they published a book, *Kremlin Plot*, that described them as criminals.

Mr Stepankov is not personally prosecuting the case, but was responsible for appointing the prosecution lawyers.

The military branch of the Supreme Court decided to suspend the trial pending a decision by parliament on what to do next. The move is a stinging indictment of the prosecution's incompetence and an embarrassment for President Boris Yeltsin.

It is now unlikely that the men who declared a state of emergency on August 19 1991 and brought tanks into Moscow to prevent what they saw as the collapse of the Soviet Union will ever be brought to justice.

There were bad omens from the very start, when Mr Stepankov had the 12 indicted on the charge of betraying the Soviet motherland – which the defendants argued they were trying to save. The charges had to be revised subsequently in order to make them more likely to stick. In the meantime, videotaped interrogations of the accused were sold to the media. The culprits in the prosecutor's office were never discovered.

Having already degenerated into near farce, the trial is unlikely to recover from this latest blow. Deputies, locked in confrontation with Mr Yeltsin over his determination to dissolve the conservative-dominated parliament, are unlikely to take any decision to help the trial along. Even if they do, the defendants' lawyers have an arsenal of other delaying tactics, including the ability to declare any of the elderly defendants too ill to attend.

The trial resumed only yesterday after being suspended three days after it opened, when Mr Alexander Tizyakov, the 67-year-old former leader of a hardline industrialists' union, was taken to hospital with heart trouble.

But in spite of being released from jail on grounds of illness pending the final judgment, two of the other defendants, Mr Vladimir Kryuchkov, the former KGB chief, and Mr Anatoly Lukyanov, head of the Soviet parliament, have been attending anti-Yeltsin demonstrations and meetings of the recently unbanned Communist party.

US points up rift with Allies on Bosnia

By Jurek Martin in Washington and Michael Littlejohns in New York

THE GULF between the US and its major allies on Bosnia was underlined yesterday by Mr Warren Christopher, the US secretary of state, who said Washington considered it impossible to implement the Vance-Owen peace plan for Bosnia "at the present time".

His remarks coincided with statements by both the European Community and Mr Andrei Kozyrev, the Russian foreign minister, declaring their continuing commitment to the international peace plan, which Moscow wants to implement by stages, even though it has not been accepted by the Bosnian Serbs.

Mr Christopher told Congress yesterday it would be futile to attend the foreign ministerial meeting at the UN on Friday, proposed by Russia to discuss implementing a plan "so strongly rejected by one party". At the UN in New York, it was announced that the session had been cancelled.

Announcing the decision after a brief private meeting of members, Mr Yuli Vorontsov, the Russian delegate, who is the current Council president, insisted that a ministerial session would still be held, but only at a later date after further consultations.

Mr Christopher nevertheless said he would meet Mr Kozyrev in Washington on Thursday and Mr Alain Juppé, the French foreign minister, early next week in pursuit of a common allied strategy. Mr Douglas Hurd, the British foreign secretary, may also fly to Washington this week for talks with Mr Christopher.

But the US secretary of state said: "We have not given up on what we think is the soundest approach – lifting the arms embargo against Bosnia with whatever compensatory air action may be necessary." He conceded "our allies and friends are not prepared to follow this course".

He generally sought to play down reports of deep rifts between the US and its allies over the next steps in Bosnia. It was "not surprising" that it was taking time to arrive at agreed positions to try and solve "an historically difficult and tragic problem" in which atrocities were being committed by all sides. This reflects the current determination of the administration to put Bosnia, albeit temporarily, on the back burner of policy-making. President Bill Clinton was given some sense of the intermittent public attention to the issue on Monday night when no questions about Bosnia were put to him in an hour-long San Diego "town meeting" dominated by concerns about the domestic economy.

Although it has received qualified US backing as "the only game in town," Mr Christopher has long been sceptical about the feasibility of deploying a major peacekeeping force to implement the complex Vance-Owen plan.

Rift on the cards, Page 3

Foster's invests $85m in Shanghai brewery

By Tony Walker in Beijing and Bruce Jacques in Sydney

FOSTER'S, the Australian brewer, is to expand into China, the world's fastest growing beer market.

Its Carlton and United Breweries subsidiary yesterday announced a A$120m (US$85.7m) joint venture with Huaguang Brewery in Shanghai. Mr Ted Kunkel, Foster's chief executive, said the brewer expected within five years to produce as much beer in China as it did in Australia.

The joint venture was the start of a A$200m investment strategy in China over the next seven years. Mr Kunkel said the aim was to develop a range of successful local and regional brands. It would brew Foster's as its "international premium brand" in due course.

"This historic step into China is a critical strategic move for the long-term growth," Mr Kunkel said. "I expect it to become our fourth brewing arm, joining CUB in Australasia, Courage in England and Molson Breweries in North America."

The project, in which Foster's is providing 60 per cent of the investment, involves upgrading the existing brewery and developing a large operation in Shanghai's Pudong Development Zone.

Mr Kunkel said Foster's was also looking at joint ventures in other parts of China.

Shanghai's Huaguang is one of the city's leading brewers, servicing China's biggest city of 13m people, and a huge population in the Yangzi river delta. Its better-known brands include Guangming and Shanghai. CUB executives believe the latter has international potential.

Huaguang said the state-owned company hoped to dominate the Shanghai market through its CUB joint venture. Huaguang's market share is 20 per cent.

Mr Kunkel expects China, with its 1.2bn people, to replace the US as the world's largest beer market within 10 years.

International brewers attracted by the enormous potential in China include Heineken, Becks, San Miguel and Suntory, all of which have established joint ventures. Brewers whose beer is made under licence include Miller, Holsten and Carlsberg.

Cosa Nostra fugitive arrested in Sicily

By Robert Graham in Rome

ITALIAN security forces yesterday announced the arrest of Mr Nitto Santapaola, the most wanted member of Cosa Nostra, the umbrella organisation of the Sicilian Mafia.

Mr Santapaola, wanted by the authorities for over 10 years, was surprised at a farm some 80km from his base of Catania during a night-time raid carried out by 400 police.

His capture follows that in January of Mr "Toto" Riina, his main ally in the ruling commission of Cosa Nostra. Although interior ministry officials said there were 25 people still on the government's most wanted list, these two arrests represented a major blow to the organisation of the Mafia.

The capture of Mr Santapaola came five days after a car bomb exploded in the wealthy Parioli residential area of Rome, injuring 23 people. Police are working on the theory that the bombing was the work, at least in part, of the Mafia.

Mr Nicola Mancino, interior minister, told parliament it was a reasonable assumption the bombing was directed against Mr Maurizio Constanzo, a television talk-show host. Mr Constanzo's car passed just three seconds before the explosion, but was shielded from the blast by a wall.

In parliament, some deputies questioned whether the terrorism was not part of a destabilisation campaign conducted by dissident elements in the security services.

Mr Luciano Violante, head of the parliamentary anti-Mafia commission, said: "The arrest of Santapaola is not a reply to the bombing in Parioli . . . Rather it is another piece in the strategy of continuous assault on the structure of Cosa Nostra, which the state has been carrying out firmly over the past year."

Police claimed they had been closing in on Mr Santapaola for some time. Already 105 arrests warrants had been issued against members of his clan and a further 39 against its allies.

The raid was carried out by a special group, who, for security reasons, came in helicopters from Reggio Calabria on the mainland. Mr Santapaola offered no resistance before being escorted to a maximum security jail for questioning.

THE LEX COLUMN

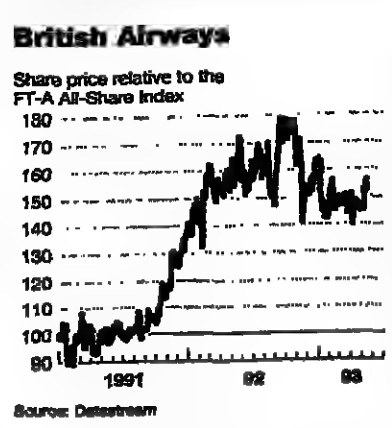
BA's flight surcharge

Investors buying into the privatised British Airways may have anticipated Mr Peter Lynch's adage: "I like to buy a company any fool can manage because eventually one will." With 40 per cent of the landing slots at the world's busiest international airport, it was only a matter of time before a more commercial BA produced the financial goods. The Virgin fiasco aside, BA's management has proved far from foolish. Profits may have fallen heavily to £185m last year but its performance still contrasts favourably with most international airlines.

Yet yesterday's £442m rights issue highlights how BA is now raising its risk profile. Expensive equity finance is being used to help fund BA's unproven globalisation strategy. This consists of spending £574m on an array of minority investments in foreign carriers, such as USAir and Qantas, over which BA exercises limited control. BA hopes industry liberalisation will permit greater control, leading to substantial scale economies. This, though, may represent a flight of fancy, given the highly politicised regulatory environment. Without such reform, it seems improbable that BA's *investments will produce anything* like an adequate return. Although depressed by start-up costs, a £17m loss from associated investments in TAT and Deutsche BA hardly represents the most auspicious start.

Comfort may be drawn from the projected decline in the industry's capacity growth coupled with a pick-up in UK and US passenger demand. This should work wonders for BA's profits over the next two years. Its operational gearing is high: a one percentage point rise in capacity *yield adds about £50m to profits. It* would be unfortunate, though, if the timing of the rights issue allowed these short term blandishments to obscure the longer term concerns.

FT-SE Index: 2847.2 (-10.8)



Source: Datastream

Marks and Spencer

A 3 per cent fall in your share price on the day you turn in an unexpectedly good 25 per cent increase in pre-tax profits must seem scant reward for hard work. That, sadly, is the cross Marks and Spencer has to bear. Its gross margins are 36 per cent while its net margins are an astonishing 13 per cent. Those looking to make a quick buck from economic recovery ogle the likes of Burton with 50 per cent gross margins but only 3 per cent net figures and dream of what might be.

Certainly those retailers which suffered in the recession have plenty of room for improvement. Yet that is to miss the point. Marks has a quality of earnings which is almost peerless. Even its great rival, J. Sainsbury, carries greater risks with its massive capital expenditure programme and very expensive sites. Marks' investment in systems and staff will also continue to *provide long-run productivity gains.* Yesterday's angst about the company's pay award emphasises the conflict. Short-termists worry that Marks needs to keep volumes growing this year to pay for the 6 per cent rise in staff costs. That is true as far as it goes, but the company *is opening* 3 per cent more selling space this year, and its "outstanding value" promotion is timed to increase market share at precisely the right moment in the cycle.

Longer term growth will come from continental Europe. The company has *has finally got its formula right and is* expanding into a weak property market. Rolling out across Europe provides plenty of elbow room for sales growth. Given that Marks' shares are only 3 per cent higher than they were this time last year, it may be wondered what management has to do to please.

Allied-Lyons

The new management installed at Allied-Lyons after its foreign exchange losses in 1991 has had plenty of time to become established, so the company should by now be starting to see the benefit in its results. But despite heavy expenditure on restructuring, trading profit remains down in every division except spirits and wine; even that has grown by a mere 2.4 per cent despite sterling's devaluation. The charitable explanation is that the recession is to blame. The nagging worry is that the revitalisation of the company is not yet complete.

Retailing will not this year have to contend with the disposal of 550 pubs, while the brewing side has yet to feel the benefits of the Carlsberg-Tetley alliance. But food margins are down, and if the lack of news on Château Latour is anything to go by, disposals are not yielding as much as they might. Success on that front would create room for manoeuvre. Gearing at 66 per cent is not uncomfortable, but it is a constraint. Allied's assertion that it would only launch a rights issue if it had a significant acquisition in mind is also an admission that it could not easily expand without one.

UK economy

The Bank of England points in its inflation report to the disparity between the government's inflation target and inflationary expectations implicit in gilts prices. Whether these expectations are measured by extrapolating the course of short term rates from the yield curve or through the yield difference between index-linked and conventional gilts, they do not suggest the public has enduring faith in the authorities' anti-inflation stance. The bank's rather feeble response is that this could change over time if inflation stays within target.

A gradual decline in inflationary expectations would certainly help the government's massive funding programme. This year, inflation should be well within range. Next year looks a closer call, partly because the imposition of VAT on fuel will add 0.4 per cent to retail prices. It would help if companies relied on volume increases to improve their profits in the recovery, rather than pushing up their margins at the first sign of increasing demand. There is some chance of this, both because capacity use remains low and because manufacturers' margins held up relatively well during the recession.

Even so the message is one of need for vigilance. The shape of the yield curve suggests a marginal fall in inflationary expectations since the Bank's last report. But while monetary policy has to bear the brunt of the battle against inflation, there is precious little room for lower interest rates. That could turn out awkwardly if the market does require a steeper yield curve to absorb all the gilts on offer.

World Weather

City		°C	°F
Ajaccio	S	21	70
Algiers	C	23	73
Amsterdam	C	18	64
Athens	F	22	72
Bahrain		-	-
Bangkok	R	32	90
Barcelona	S	20	68
Beijing	S	30	86
Beirut		-	-
Belfast	F	13	55
Belgrade	S	24	75
Berlin	S	23	73
Bermuda	S	22	72
Bombay	F	32	90
Bordeaux	C	15	59
Boulogne	F	[illegible]	59
Brussels	R	20	68
Budapest	F	25	77
Buenos Aires	F	20	68
Cairo	C	27	[illegible]
Cape Town	S	[illegible]	66
Caracas	F	31	88
Casablanca †	F	21	70
Chicago †	[illegible]	10	50
Cologne	F	23	73
Copenhagen	S	19	66
Corfu	S	23	73
Dallas †	F	[illegible]	70
Dublin	C	12	54
Dubrovnik	S	25	77
Edinburgh	F	14	57
Faro	C	15	59
Florence	F	26	[illegible]
Frankfurt	F	24	75
Geneva	F	22	72
Gibraltar	C	19	66
Glasgow	[illegible]	[illegible]	54
Helsinki	S	[illegible]	66
Hong Kong	F	29	84
Innsbruck	F	25	77
Inverness	F	13	55
Islamabad	F	32	90
Istanbul	F	21	70
Jakarta	R	31	88
Johannesburg	S	21	70
Lisbon	R	16	61
London	F	16	61
Los Angeles †	S	15	59
Luxembourg	F	19	66
Madeira	F	19	66
Madrid	C	16	61
Majorca	F	20	68
Malaga	F	23	73
Malta	S	23	73
Manila	F	36	97
Melbourne	C	14	57
Mexico City	C	28	82
Miami †	S	26	79
Milan	S	25	77
Montreal †	S	8	46
Moscow	S	24	75
Munich	S	24	75
Nairobi	F	25	77
Naples	F	23	73
Nassau	C	30	86
New Delhi	S	31	88
New York †	S	16	61
Nice	S	20	68
Nicosia	S	22	72
Oporto	F	14	57
Oslo	S	19	66
Paris	F	19	66
Prague	S	23	73
Reykjavik	S	7	45
Rhodes	F	22	72
Rio de Janeiro	C	23	73
Rome	S	24	75
Salzburg	S	26	79
S'Francisco †	S	13	55
Seoul	S	23	73
Singapore	F	31	88
Stockholm	S	22	72
Strasbourg	F	25	77
Sydney	C	15	59
Taipei	F	32	90
Tangier	C	19	66
Tel Aviv	S	22	72
Tenerife	F	22	72
Tokyo	C	19	66
Toronto †	F	5	41
Tunis	S	28	82
Valencia	F	25	77
Venice	S	25	77
Vienna	S	25	77
Warsaw	F	23	73
Washington †	R	17	63
Zurich	S	23	73

Temperatures at midday yesterday
† Noon GMT temperatures
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1993 Wednesday May 19 1993

INSIDE

Conti sees profit after a 'miserable' time

Continental will make a profit again this year in spite of a "miserable" first two months, and may be able to pay its first dividend since 1990, the chief executive of the German tyre company said yesterday. Page 22

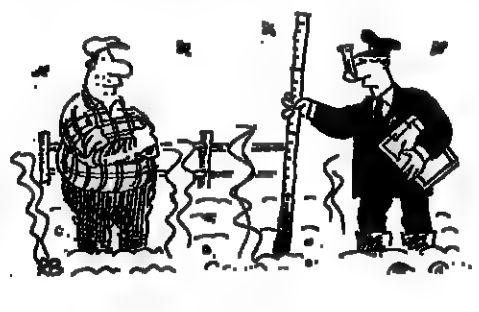
Rentokil bids for Securiguard

Rentokil Group, the environmental and property services company, yesterday launched a hostile £59.2m all cash bid for Securiguard, the provider of security and cleaning services in the UK and US. The offer was rejected by Securiguard's board, who said it "significantly" undervalued the company and advised shareholders not to sell. Page 27

BOC shows 11% rise to £180m

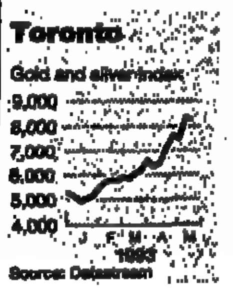
BOC, the UK industrial gases and drugs group, yesterday reported profits on ordinary activities before tax up 11 per cent from £162.1m to £180.1m for the six months to March 31. The results were flattered by favourable currency movements. Page 29

Dutch assault manure mountain



The Dutch government has reached an agreement with the country's farmers to reduce manure surpluses. Modern animal husbandry techniques have left the country with more manure than can be safely absorbed by farmland, causing stubborn problems such as air and water pollution. A central element in the new system for controlling manure surpluses will be a "mineral ledger". Page 36

Gold shares glister



Source: Datastream

North American analysts have been investors in gold mining shares to be cautious, but that advice has gone unheeded in the past week. The surge in the gold price to almost $370 an ounce has uncorked yet another buying binge in the stock market. The climb in North American gold shares has far outstripped the bullion price. Back Page

NIE makes £56.6m

Northern Ireland Electricity, the Belfast-based utility which is to be privatised next month, made an operating profit of £56.6m ($87m) on turnover of £452.4m in the year to March 31, according to the pathfinder prospectus issued yesterday. Page 30

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Aachen Mch Reg	903	+	19	BIC	1040	+	26
Lahmeyer	625	+	25	Elf Sanofi	835	+	41
Philipp Kozmann	545	+	15	Eridania B-Say	731	+	19
Schering	780.5	+	10.5	Pernod Ricard	382	+	14.6
Wella Prf	702	+	12	Schneider	655	+	18
Falls				**Falls**			
Colonia Kozn Pf	581	−	17	CGIP	1046	−	34
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Hewlett Packrd	85⅞	+	5⅛	Ensuiko Sugar	745	+	100
Home Depot	43½	+	⅝	**Falls**			
Microsoft	88½	+	2	Akebono Brake	647	−	21
Motorola	78⅝	+	2¼	Marudai Food	898	−	40
Falls				Nihon Parkzng	825	−	35
Cummins Engine	88¼	−	5⅝	Pioneer Elec	2400	−	160
Ford Motor	52¼	−	2⅛	Seibu Railway	3210	−	230

New York prices at 12:30.

LONDON (Pence)				Yorks-Tyne T	178	+	6
Rises				**Falls**			
Albion	108	+	10	Alexon	78	−	4
Blackleys	61	+	8	Chieftain	59	−	10
Border TV	112	+	6	Cliff Res	31½	−	4
Danka Business	768	+	48	Fenner	77	−	6
Dart	92	+	7	Fisons	165	−	7
Gowrings	54	+	4	Linx Printing	139	−	36
Gt Portland	180	+	7	Marks Spencer	345½	−	9¼
Hartstone	88	+	8	Monarch Res	182	−	9
Ladbroke	184	+	7	Trace Comp	42	−	5
Micro Focus	2288	+	58	Unilever	1036	−	22
Securiguard	289	+	104				
Sturge Hldgs	82	+	4				
Wescol	22	+	4				

Food shares fall on BSN price war threat

By Guy de Jonquières, Consumer Industries Editor

SHARE prices of leading European food companies fell yesterday after Mr Antoine Riboud, chairman of BSN, France's largest food manufacturer, said it was ready to cut prices to defend market share.

He said the company was operating "in an unprecedented economic crisis", while retailers were demanding larger discounts and providing stiffer competition with cheap private-label ranges.

Mr Riboud's remarks added to investors' recent fears that international recession and the growing power of food retailers would intensify price competition.

His comments follow cautious forecasts by other large food and consumer groups in the US and Europe, and what were widely considered disappointing first-quarter results from Unilever, the Anglo-Dutch manufacturer.

Many branded international manufacturers of consumer products have been jolted by last month's decision by Philip Morris to cut the US price of Marlboro cigarettes.

Shares in BSN, which on Monday reported a 5.7 per cent drop in first-quarter sales, fell FFr11 to close at FFr863 yesterday. In London, Mr Riboud's comments added to anxiety about the impact of sterling's recent recovery on food groups with a large international exposure.

Cadbury Schweppes fell 9p to 447p and United Biscuits by 9p to 412p, while Unilever fell 22p to 1036p in London and Fl 11.80 to Fl 193.20 in Amsterdam. In Zurich, however, Nestlé registered shares rose SFr15 to SFr1130.

Mr Riboud said BSN aimed to offset the impact on profit margins of any price reductions by cutting costs. The company might also have to weed out weaker brands which were squeezed between market leaders and private label products.

Analysts believe BSN is most vulnerable to price competition in mineral water, of which it is the world's second-largest producer. Mineral water was the company's most profitable business in the late 1980s, but has recently suffered from a slowdown in demand.

"Whenever the prices of branded products get out of line with private label, and there is inadequate product innovation, companies are getting caught. And there is precious little product innovation in mineral water," said Mr David Lang of stockbrokers Henderson Crosthwaite.

Mr Riboud was positive about prospects in eastern Europe, China and Vietnam, where BSN planned to continue expanding.


Antoine Riboud: group faces rival own-label ranges

■ Leading Japanese brokers report weak earnings but believe Tokyo stock price fall is over

Daiwa Securities posts first loss since 1964

By Robert Thomson in Tokyo

JAPAN'S leading brokers yesterday reported weak earnings, including the first pre-tax loss at Daiwa Securities since 1964, but confidently declared the three-year collapse of Tokyo stock prices was over.

The stock market recovery boosted commissions in the last weeks of the year ended March. Nomura Securities, the largest house, reported a pre-tax profit of Y2.4bn ($21.5m), down 94.6 per cent, but managed to avoid the loss that had earlier seemed inevitable.

Daiwa, the second largest house, had a pre-tax loss of Y7.3bn, compared with a profit of Y9.3bn, while Yamaichi Securities announced another embarrassing loss, Y37.4bn, following a loss of Y36.5bn in 1991-92. The houses reported a fall in stock commissions and underwriting income, and all had valuation losses on their securities holdings.

Japan's 10 second-tier brokers all reported losses for the year, and a sign of the mounting pressure on their balance sheets was the resignation yesterday of 15 executives at Yamatane Securities, under reconstruction by Sakura Bank, a leading commercial bank. However, even Yamatane, which reported a loss of Y10.4bn, expects to return to profit this year due to a recovery in share trading volume.

The hope is that the daily turnover of shares on the Tokyo exchange can average at least 400m, compared with 282m last year.

The broker with the best news was Nikko Securities, which reported a profit of Y2.5bn, down 19.4 per cent, but topping Nomura.

However, only Nomura reported a net profit, turning in Y3.3bn after tax. The net loss of Y6.5bn at Nikko compared with Y25.9bn a year earlier.

Nikko's relative success followed a sharp increase in profits on bond dealing, which were Y28.2bn, up from Y1.2bn, and managed to reduce operating expenses by almost 18 per cent. During the past six months, listed brokers have reduced their offices from 3,150 to 3,000, and cut staff by about 5 per cent.

Daily turnover of shares in Tokyo was 662m last month, and brokers are confident that retail investors will return to the stock market in coming months, if only because a fall in interest rates has reduced their investment options.

Time running out, Page 25

BA launches £442m rights as profits fall

Lydia van der Meer
Colin Marshall: BA's financial performance was 'impressive'

By Paul Betts, Aerospace Correspondent

BRITISH AIRWAYS yesterday launched a £442m ($680.68m) rights issue after announcing a drop in profits and a doubling in debt.

Pre-tax profits calculated in accordance with the new FRS3 accounting standard fell 57 per cent to £185m for the year to March 31. Borrowings rose by £1.281bn to £2.453bn.

The one-for-four rights issue is priced at 245p a share, a 17.5 per cent discount to Monday's closing price. It will lower the company's debt-to-equity ratio from 160 per cent to around 100 per cent.

In the last year BA has spent more than £600m on investments to strengthen its global presence, including stakes in USAir, Qantas and the French regional carrier TAT, plus the assets of Dan Air, the former UK regional airline. It has also announced it is to take over the activities of UK-based Brymon Aviation.

Sir Colin Marshall, BA's chairman, said the financial performance last year was "impressive" considering the tough trading conditions facing the industry. The future looked "very promising".

BA's profits comparison was worsened by the restating of the previous year's profits in line with FRS3, to include the £149m gain that year from the sale of BA's engine overhaul business to General Electric of the US. Without that gain, pre-tax profits for the year to March 1992 were £285m. On that basis, last year's profits showed a 35 per cent drop from the previous year.

Group operating profits fell 9.9 per cent to £310m on turnover of £5.566bn, which was 6.5 per cent higher than the year before.

The airline had an operating loss of £25m for the fourth quarter against a £25m profit a year ago, partly due to one-off items including higher staff severance costs and an operating loss by the former Dan Air operations.

Group expenditures rose by 7.7 per cent to £5.256bn last year. Mr Robert Ayling, BA's new managing director, said the company's cost reduction programme had made a significant contribution, producing more than £150m in savings last year.

BA carried 28.1m passengers last year, an increase of 10.5 per cent. The passenger load factor rose by 0.6 per cent to 70.8 per cent. The airline said it was increasing its capacity this summer by 14 per cent and a further 3 per cent next year.

Sir Colin said there was beginning to be some improvement in first and business class high-yielding traffic. "Given the measures we are taking to increase revenues and reduce costs, British Airways remains well positioned to take advantage of improved prospects for 1993 and 1994."

BA shares closed in London yesterday 9.5p higher at 306.5p.

The total dividend for the year was 10.60p, a rise of 4.1 per cent. The company paid a second interim dividend of 7.54p a share last month in place of a final dividend.

Lex, Page 20

Honda gloomy after 32% profits fall

By Michiyo Nakamoto in Tokyo

HONDA, the Japanese car manufacturer, yesterday announced a 32 per cent decline in pre-tax profits and warned that results for the current year were also likely to show a significant fall due to the difficult trading environment.

The sharp decline in Honda's profits reflects the persistent weakness in the Japanese car market, the slow recovery in the North American market and the impact of a strong rise in the value of the yen which depressed overseas revenues.

Honda said that a sharp fall in car sales was largely responsible for a 5.9 per cent drop in consolidated revenues from Y4,391.9bn ($39.7bn) to Y4,132.4bn in the year to March 1993.

Pre-tax profits fell to Y88.6bn from Y130.8bn while net profits declined 41 per cent to Y38.3bn from Y64.9bn.

In North America, a market which Honda depends on for over 40 per cent of sales, the company has faced intensified competition from both US and other manufacturers over the year.

Last year, Honda faced the disappointment of seeing its Accord model lose its title of best-selling car to Ford's Taurus.

Meanwhile the yen's 6 per cent appreciation over the period had shaved off about Y70bn from revenues, Honda said.

In contrast to its car business, where revenues declined 9 per cent to Y3,280bn, Honda's motorcycle sales rose nearly 10 per cent to Y569.5bn.

The upturn in the motorcycle business, where operating profit of Y45.3bn almost matched operating income of Y49.2bn from the car business, was supported by strong demand for motorcycles in China and south-east Asia, Honda said.

Demand in the Japanese market was still unpredictable with a rise in car sales in March offset by a downturn in April, Honda said. The recovery in the US market, meanwhile, is still very slow, it said.

Honda expects the launch of new models later this year to spur demand for its cars.

However, the company expects continuing weakness in world markets. It predicts that the impact of the yen's appreciation and other "unpredictable factors" will result in a further 3 per cent fall in revenues and a 40 per cent decline in net profits for the year to March 1994.

Weak markets contribute to SKr331m deficit at Volvo

By Christopher Brown-Humes in Stockholm

WEAK MARKETS and higher interest payments led to an increased loss after financial items of SKr331m ($45m) for Volvo, the Swedish vehicle group, in the first quarter.

The result, which compares with a SKr248m loss in the same 1992 quarter, came after a drop in sales of cars and trucks, mainly because of lower demand in western Europe.

Group debt was SKr7bn higher at the end of the first quarter than a year ago, and interest expenses rose sharply to SKr388m from SKr123m.

The group did not comment on its prospects, but it noted that west European car sales were expected to fall 10 per cent in 1993, and truck sales were forecast to fall by between 25 per cent and 30 per cent in the year.

In the first three months sales rose 14 per cent to SKr22.95bn, although excluding currency factors and acquisitions they were 2 per cent lower.

The operating loss was much lower at SKr189m, against SKr347m.

Although this reflected a positive SKr250m impact from an accounting change, operating losses in both the group's car and truck groups were down, in spite of lower sales volumes.

Car sales rose 15 per cent in value terms to SKr12.63bn, due to the weaker krona.

However, sales dropped to 73,500 vehicles from 80,500.

Volvo increased its share of the weak Swedish market, but lost share in the UK.

In other markets, the group fared better. It increased sales and market share in the US, and strengthened its position in Japan, south-east Asia and Russia.

Truck sales were 12 per cent higher at SKr8.34bn, although deliveries were down 8 per cent at 10,800 vehicles.

In Europe, sales fell 39 per cent to 3,600 trucks, with a big drop in sales to Germany, France, the Netherlands and Sweden. US sales climbed 25 per cent to 4,900 units, although market share was lower.

The group's share of profits from Swedish food and pharmaceutical group Procordia increased to SKr596m from SKr124m.

Income from Renault, with which Volvo has extensive cross-shareholding links, fell to SKr236m from SKr387m.

Renault tumbles by 90%

By David Buchan in Paris

RENAULT, France's state-owned car and truck group, yesterday announced that first-quarter profits had tumbled to only FFr240m ($44m) from FFr2.35bn in the same period of last year. It saw no prospect of early recovery.

The company said turnover in the quarter fell by less than the general decline in the European market, with Renault's combined car and truck sales 8 per cent down on the first quarter of 1992, at FFr 43.9bn.

However, Renault's first-quarter results were dragged down by a FFr238m loss stemming from the group's 20 per cent stake in Volvo of Sweden, compared with the FFr180m loss it took in the first quarter of 1992.

The only rays of light in an otherwise sombre picture were a 3 per cent rise in exports to countries outside Europe, compared with the same period of last year, and an increase of FFr45m in earnings from its financial service companies.

"With the economic climate for the second quarter apparently no more favourable, the prospects for an improvement in the European market are receding", the company said. First-quarter car sales fell by 8.6 per cent to FFr36.9bn, but sales in the overall European market fell by 17.2 per cent so that Renault held its market share. The same trend occurred in trucks, Renault sales falling 13.4 per cent but the European truck market plunging by 26.6 per cent.

The pessimism of the French car industry has been expressed by Mr Jacques Calvet, the head of Peugeot, who has seemed to lower his market projections every time he speaks. He did so again this week, to predict that the overall decline in European car sales this year would be more than 10 per cent, though like Renault, Peugeot-Citroën is holding its share of a falling market.

According to persistent rumours emanating from Turin, Fiat and Renault are examining some form of link-up. These rumours have been denied by Renault and derided by Mr Calvet, who said "the idea of balancing Volvo with Fiat is insane".

To relieve pressure on their companies, the French government is urging the European Commission to make Japanese carmakers freeze sales to Europe at the 1992 level.

INTERNATIONAL COMPANIES AND FINANCE

Continental chief executive predicts return to black

By David Waller in Frankfurt

CONTINENTAL will make a profit again this year in spite of a "miserable" first two months, and may be able to pay its first dividend since 1990, the chief executive of the German tyre company said yesterday.

Speaking in Hanover, Mr Hubertus von Grünberg said that group sales in the first quarter dropped by 10.3 per cent to DM2.2bn ($1.36bn). Profits fell by a similar amount, reflecting weak demand from carmakers and poor conditions in the market for replacement tyres.

Sales of tyres for passenger vehicles fell by 6 per cent in Europe and the US over the quarter.

Mr von Grünberg's comments come shortly after Continental announced that it made net profits of DM133m for last year after a loss of DM128.2m in 1991.

Von Grünberg: optimistic in spite of 'miserable' two months

This implied a sharp deterioration in business conditions in the second half of last year, as the group made DM118m profit in the first half of 1992 alone.

In spite of the profits recovery, Continental said it would be premature to pay a dividend for 1992.

The chief executive said that this year's figures would be boosted by the fact that General Tire, the group's US subsidiary, would return to the black after several years of heavy losses. This would offset poor market conditions in Europe.

Business conditions had been "miserable" in January and February but had improved in March and April, Mr von Grünberg said, noting that the quarter had not turned out as badly as had once been feared.

The company is also planning to press ahead with further rationalisation and cost-cutting measures, including job cuts. Staff numbers were 50,581 at the end of last year, up from 49,877 at the end of 1991.

Incentive to sell US hydraulics business

By Christopher Brown-Humes in Stockholm

INCENTIVE, the Swedish industrial group dominated by the Wallenberg family, is selling its US hydraulics group, Hägglunds Denison Hydraulics, as part of an increased focus on core engineering operations.

The buyer is Denison International, a new company formed specifically for the purchase by a group of Swedish, American and UK investors. Terms have not been disclosed.

Hägglunds Denison Hydraulics is based in Ohio, and has production units in the US, France and Germany.

It has annual sales of around $100m and 800 employees.

Incentive has sold six companies, with annual revenues of $400m, in the last 18 months to concentrate on its main engineering businesses.

Marks and Spencer ahead 25%

By Neil Buckley in London

MARKS and Spencer regained the title of the UK's most profitable retailer yesterday as it lifted its pre-tax profit 25 per cent to £736.5m ($1.13bn).

The clothing and food retailer knocked J. Sainsbury, the grocery chain which last week announced pre-tax profits of £732.8m, into second place.

M&S said the improvement was due to a pick-up in consumer spending, increased efficiency, and the success of its "outstanding value" campaign, which involved lowering the prices of 25 per cent of its clothing.

The shares, however, fell 9½p to 345½p on the London stock exchange, apparently on worries about a pay settlement that will add 6 per cent to the wage bill.

Sir Richard Greenbury, chairman and chief executive, was characteristically blunt in his reaction to M&S regaining the title it first lost to Sainsbury last year, quoting the former manager of Liverpool football club, Mr Bill Shankly: "We never worry or concern ourselves with how the other teams are playing, we are only interested in how we are performing."

Sir Richard said that there had been a significant turnaround in consumer spending.

"We are very much on the front foot as we see the consumers coming out of the trenches," he added.

Turnover for the year to March 31 increased 3.4 per cent to £5.9bn.

Pre-tax profits were £736.5m, on the basis of the UK's FRS3 accounting standard, up 25 per cent on last year's restated £588.9m.

Earnings per share increased to 18p from a restated 13.5p, while the total dividend was raised from 7.1p to 8.1p. Operating margins were boosted from 11.9 per cent to 12.5 per cent.

In the UK and the Republic of Ireland, Sir Richard said that clothing sales had improved strongly, due partly to its aggressive pricing policy, and the company had increased volumes and market share.

He rejected claims that M&S had been "screwing" its manufacturers, insisting price reductions had been achieved by lowering its own buying margins.

Food sales increased by about 5 per cent in the second half, with M&S retaining its overall market share.

The overseas performance was encouraging, with total sales up 8.5 per cent to £736.9m, and the devaluation of sterling helped operating profits increase 34.6 per cent to £68m.

Details, Page 27; Lex, Page 20

Electrolux income falls by 20%

By Christopher Brown-Humes

ELECTROLUX, the Swedish white goods manufacturer, yesterday blamed a drop in European demand and high one-off costs in North America for a 20 per cent fall in first-quarter profits.

Income after financial items fell to SKr202m ($27.5m) from SKr253m, which was towards the lower end of stock-market expectations. Sales, benefiting from the weaker krona, advanced 23 per cent to SKr24bn from SKr19.5bn.

The group said the downturn in demand was particularly sharp in Sweden and Spain, while there was no upturn in the UK and Germany.

While demand in North America continued to rise, one-off costs for product launches, production transfers and the recall of a dishwasher series meant operating income fell.

Operating income after depreciation rose 4 per cent to SKr643m from SKr618m. The group said its competitive position was stronger, following restructuring and changes in currency rates, and operating income had risen in most countries apart from North America and Spain.

In both household appliances and commercial appliances, operating income was down, while there was an upturn in the group's other main divisions, outdoor products and industrial products.

The household appliance result was dragged down by a SKr300m drop in income from North America and Spain. Electrolux blamed the situation in Spain on a weak market and an inflexible labour market.

Nevertheless, volumes rose in both Europe and the US in the household appliances sector, with sales rising to SKr13.15bn from SKr10.98bn.

Sales in the outdoor products division rose to SKr3.96bn from SKr2.74bn and in industrial products to SKr4.37bn from SKr3.49bn. Both units improved their operating result thanks to restructuring and an improving performance in North America.

Commercial appliances lifted sales to SKr2.29bn from SKr2.02bn but operating income fell because of weak market conditions.

Astra warns of slower growth over the year

By Christopher Brown-Humes

ASTRA, the Swedish pharmaceuticals group, yesterday said pre-tax profit rose 63 per cent to SKr1.74bn ($236.7m) in the first three months, but it warned that profit growth over the rest of the year would be slower.

The latest figure was at the top end of stock market expectations and compared with a profit of SKr1.06bn in the same 1992 period.

"Given the large revaluations during the fourth quarter of 1992, the profit development for the whole of 1993 will not reach the same rate as during the first quarter," the company stated.

Sales for the quarter rose 36 per cent to SKr5.02bn from SKr3.70bn, although excluding currency factors, the increase was 16 per cent.

The company said it had strong volume growth in many markets, particularly the UK and France. But sales in its most important market, Germany, fell 16 per cent because of what it called "political interference" in the country's pharmaceutical industry.

Sales of Losec, the company's anti-peptic ulcer drug, rose to SKr1.5bn from SKr991m, although if sales through licensees are included, the figure rose to SKr2.64bn from SKr1.55bn.

Allied-Lyons surges to £620m

By Philip Rawstorne in London

ALLIED-LYONS, the drinks, food, and retailing group, reported a £10m ($15.4m) increase in full-year pre-tax profits to £620m, in line with market expectations.

Spirits operations grew but brewing profits were affected by higher bad-debt provisions. The sale of 550 pubs was reflected in lower retailing profits.

On a FRS3 basis profits before tax for the year to March 6 rose 15 per cent from £439m to £505m.

Mr Tony Hales, chief executive, said the current year had started encouragingly.

Lower interest rates and sterling's devaluation had increased competitiveness.

"Our exports grew last year by over 12 per cent to £402m and we expect further benefits this year."

Trading profits of the spirits and wine operations were 2.4 per cent ahead at £421m. Shipments of Ballantine's scotch whisky, the group's most important brand, rose 7 per cent, while the partnership with Domecq achieved a 20 per cent increase in sales in Spain. Courvoisier cognac increased market share in the US, UK and in Japan, where shipments were 32 per cent up in a market that fell 7 per cent.

Allied also announced yesterday that it was buying Perrier-Jouet/Barton & Guestier (PJBG), a French distribution operation, from Seagram.

PJBG has handled Ballantine's, the leading premium whisky in France, for 32 years and will provide a base for distribution of other Allied brands. The deal will raise the group's control of its worldwide distribution from 88 per cent to 93 per cent.

Lex, Page 20

Winterthur to limit rights

WINTERTHUR, Switzerland's third largest insurance company, yesterday reported reduced profits for 1992 and announced plans to limit shareholder voting rights, Agencies report.

The company said it would limit all shareholders or groupings to a maximum 5 per cent of total voting rights. It said the restriction would be laid down under a revision of its statutes. Winterthur could not say what limit had previously been set on voting rights.

Net profits for last year fell 6 per cent to SFr247m ($168m), compared to 1991. The dividend is being held at SFr70 a share. Gross premiums improved by 6 per cent, rising to SFr15.5bn, against SFr14.6bn.

Last November the company declared itself to be cautiously optimistic for 1992.

LWT buys stake in broadcaster

By Paul Taylor in London

LONDON Weekend Television's parent company, LWT (Holdings), yesterday paid more than £14m ($21.5m) in cash to acquire WH Smith's 14 per cent stake in Yorkshire-Tyne Tees Television Holdings, another Channel 3 broadcaster.

The deal highlights the growing number of equity stakes independent television broadcasters hold in each other. Among these LWT also owns a 20 per cent stake in GMTV, the breakfast television franchise holder, as does Carlton Communications and Scottish Television. Carlton also has a 19.2 per cent stake in Central and Central has a 20 per cent stake in Meridian.

LWT paid 200p-a-share for WH Smith's entire holding of just over 7.03m ordinary shares in Yorkshire and also agreed to acquire the 1.97m warrants held by the high street retailer for 40p each. The total purchase price for the shares and warrants was £14.9m.

Degussa hit by health reforms

By David Waller

DEGUSSA, the German metals, chemicals and drugs group, yesterday unveiled a sharp profits reversal in the early months of the year.

Blaming the state of the domestic and world economy and recently-introduced health reforms in Germany, Degussa said that group pre-tax profits in the six months to the end of March dropped 27 per cent to DM77m ($47.8m). It predicted it would not be able to make this much profit in the second half.

The poor result follows a 14 per cent increase in profits in the first three months of the group's financial year, when the figure rose to DM49m. This means that from the first to the second quarter of the year profits dropped by 57 per cent.

Group turnover in the first quarter rose 11 per cent to DM6.9bn, although Degussa said this was due to changes in group structure and an increase in metals trading turnover. Without these special factors, turnover would have fallen by 1 per cent.

Degussa blamed the change in fortunes on the weakness of domestic and world economies, which hit all business areas but especially the group's metal activities. The pharmaceutical division was hard hit by German health service reforms introduced in January.

These were designed to oblige patients to pay more for treatment and have led to what Degussa called "substantial losses in turnover and profits" in its pharmaceutical activities, which account for 20 per cent of turnover.

Leading US store chains turn in contrasting results

By Nikki Tait in New York

CONTRASTING fortunes in the US retail sector were evident yesterday, when Dayton Hudson and J.C. Penney, two of the nation's largest store chains, unveiled first-quarter results.

J.C. Penney, the Texas-based department store group, enjoyed a fairly strong three-month period to May 1. Total sales rose by 4.5 per cent, to \$3.96bn, and with selling costs remaining static and interest charges falling slightly, net profits before extraordinary items and accounting-related items, stood at \$172m, compared with \$136m a year earlier.

J.C. Penney said its gross margin fell from 34.1 per cent to 33.9 per cent, as a result of its lower pricing strategy. But selling, general and administrative expenses also fell, to 30 per cent of retail sales, against 31.5 per cent a year earlier.

After extraordinary items and the accounting related changes, net profits reached \$206m. Earnings per share, on the same basis, stood at 78 cents, against 52 cents. J.C. Penney shares edged ⅛ higher to \$46 on the news.

The company attributed the first-quarter results to its pricing strategies, and said that it was still looking to strengthen stock management and supplier relationships. Mr William Howell, chairman, also indicated that the group was exploring possibilities in the "private brand" area.

Dayton Hudson, by contrast, saw after-tax profits dip to \$30m in the same three-month period, after a one-off \$3m charge, compared with \$35m profits last time. Sales reached \$4.04bn, compared with \$3.72bn.

"We have been disappointed by our sales results since the middle of February," commented Mr Kenneth Macke, chairman. "Consumers are very cautious. Part of that is due to pervasive economic concerns, such as uncertainties about job security, tax increases and the cost of health care reform."

He added that the problems had been particularly noticeable at Mervyn's, the middle-market department store chain. Operating profits fell in this division due to lower-than-expected sales – in turn, blamed partly on insufficient promotional activity. Gross margins at the department store division, which takes in Marshall Field's, were flat.

However, the Target discount store chain, did record a small increase in operating profits, although gross margins were adversely affected by the continued "value pricing" strategy and weak seasonal sales.

Hewlett Packard tops market estimates

By Jeremy Bennallack-Hart in New York

HEWLETT-Packard, the US computer and electronics manufacturer, reported a 7 per cent rise in second-quarter net earnings yesterday, with orders and revenue both increasing sharply.

The results topped Wall Street analysts' estimates, and by early afternoon the shares were up \$4⅞ at \$84½, its 52-week high. Net earnings for the quarter totalled \$347m, or \$1.38 a share, compared with \$323m, or \$1.27, in the same period last year.

Net revenue rose 22 per cent to \$5.1bn. US revenue gained 24 per cent to \$2.2bn, while revenue from outside the US rose 20 per cent to \$2.9bn. Orders advanced 28 per cent to \$5.37bn.

Mr Lewis Platt, president and chief executive, said: "We're pleased with the company's order strength, and our product programmes have never been more competitive. But we face a very mixed and uncertain economic environment, as well as intense competition and rapid change in our markets. We also believe that upward pressure on cost of sales is likely to continue."

The first-half results were encouraging, he said, adding that the company remained focused on managing operating expenses and getting products to markets quickly.

Cost of goods sold as a percentage of net revenue was 58.8 per cent in the quarter, compared with 53.6 per cent. The company said the increase was in line with expectations

Operating expenses rose 6 per cent, with operating expenses as a percentage of net revenue falling to 30.3 per cent against 34.9 per cent.

For the six-month period, net earnings dropped 3 per cent to \$608m, or \$2.41 a share. Last year's comparative figures were struck before a one-off after-tax charge of \$332m in relation to adoption of an accounting standard on retiree medical benefits.

First-half net revenue grew 20 per cent to \$9.7bn.

HK group behind Canadian merger

By Bernard Simon in Toronto

A GROUP of Hong Kong investors is to create a substantial Canadian oil and gas producer through the proposed merger of Numac Oil & Gas of Edmonton and Calgary-based Westcoast Petroleum.

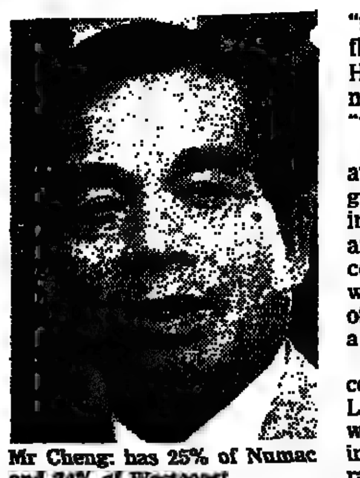
The merged company, which will rank among Canada's top 20 energy companies, will be controlled by Mr Cheng Yu-Tung, chairman of New World Development of Hong Kong, and the family of Mr Y.P. Doo, whose Hong Kong interests include Fung Seng Diamond Company.

Mr Cheng currently owns 24 per cent of Westcoast and 25 per cent of Numac, while the Doo family holds 15 per cent of Numac and 24 per cent of Westcoast. Several other Hong Kong investors are shareholders in Westcoast, which was spun off earlier this year by Westcoast Energy of Vancouver.

Under a letter of intent between the two companies, Numac shareholders will receive one Westcoast common share for each Numac share. Westcoast, currently a private company, will have 50.6m shares outstanding prior to the transaction. Numac has 33.1m shares outstanding. The combined company will operate under the Numac name and be publicly traded.

Mr Stewart McGregor, Numac's chief executive, declined yesterday to disclose the financial strength of the new company beyond saying the combined cash flow in the first three months of this year was C\$25.2m (US\$19.7m).

Numac's cash flow is expected to grow rapidly over the next year as a result of its 3 per cent stake in the large Caroline gas deposit in Alberta.



Mr Cheng: has 25% of Numac and 24% of Westcoast

Mr McGregor said that a "much larger" capital and cash flow will facilitate expansion. He predicted that the company's international exposure "will grow over time".

Mr Cheng and his partners appear to be taking a more gradual approach to their investment in the Canadian oil and gas industry than their compatriot Mr Li Ka-shing, whose acquisition of Husky Oil of Calgary has turned out to be a heavy financial burden.

Hutchison Whampoa, the conglomerate controlled by Mr Li, last year took a HK\$1.42bn write-down on the Husky investment. Husky last month raised over C\$100m from the sale of various oil and gas properties in western Canada.

By midday yesterday Numac's share price had risen by 37 cents to \$7¼ on the Toronto Stock Exchange.

Fluor Daniel buys Mexican stake

By Damian Fraser in Mexico City

FLUOR Daniel, the US engineering and construction company, has agreed to buy 49 per cent of ICA Industrial, a subsidiary of Mexico's largest construction company Empresas ICA Sociedad Controladora.

The subsidiary, with revenues of \$204m last year, and to be renamed ICA Fluor Daniel, will become "a single source for clients seeking high-quality, full-service engineering and construction capabilities in Mexico and other Latin American countries", the US company said.

The joint venture, which was proposed in November, is one of many recently signed between US and Mexican companies, where the US partner offers capital and technology, and the Mexican knowledge of the local market.

In this case, ICA Fluor Daniel will concentrate on industrial construction, offering services for consumer products, petrochemicals, power generation, and the car sector, among others.

The venture is expected to help ICA Industrial compete against Bufete Industrial, its main Mexican rival that has long had an association with Kellogg of the US. ICA and Fluor Daniel have already shown interest in constructing several Mexican electric power plants that are now up for tender.

Empresas ICA reported revenues of \$1.8bn last year, most of which were gained from heavy construction for the public sector. ICA has won the lion's share of contracts in the government's ambitious toll-road programme.

MGM cuts first-quarter losses

By Jeremy Bennallack-Hart

METRO-Goldwyn-Mayer, the Hollywood studio taken over by Crédit Lyonnais, its French bank creditor, has reported reduced first-quarter losses.

Net losses were \$51.21m, against \$87.4m a year earlier, on lower revenues of \$196m compared with \$298.9m.

The net losses include extraordinary losses of \$9.83m on repurchases of debt during the quarter. As a result the company anticipates lower interest costs in future. Last year's first-quarter results included a one-off charge of \$33m related to changes in accounting for income tax.

MGM said the latest results reflected a fall in feature film revenues due to quarter-to-quarter differences in the timing of theatrical releases and availability of products for home video and pay television markets. Revenues in the feature films and television programming operations dropped to \$149.2m from \$243.5m.

Theatre revenues fell to \$46.57m from \$55.37m, mainly due to currency fluctuations. MGM said theatre operations remained profitable and investment in multiplex theatres in Europe would continue.

Mr Alan Ladd and Mr Dennis Stanfill, co-chairmen, said the company had "accelerated MGM's development and production activities with the support of Crédit Lyonnais". They indicated, however, that these increased activities would not be immediately reflected in the company's results, due to the long lead times for development and production of feature films.

● Tele-Communications (TCI), the largest operator of cable TV systems in the US, has announced a \$53,000 after-tax profit for the three months to end-March. The figure compares with an \$18,000 loss in the same period of 1992, writes Nikki Tait in New York.

Revenues rose from \$856m to \$1.02bn, and per-share earnings stood at 11 cents, up from a loss of five cents in the first quarter of 1992.

Bombardier to issue new class of stock

By Robert Gibbens in Montreal

BOMBARDIER, the Canadian international aerospace and transit equipment maker, plans to raise funds later this year by issuing a new class of convertible preferred stock.

Details will be made public after the creation of the new stock comes up for shareholder approval at the annual meeting in Montreal on June 22.

Mr Laurent Beaudoin, chairman, confirmed in Toronto that the dividend rate on the stock will be geared to Bombardier's common share dividend policy. An increase in common dividends will mean a higher preferred share payout, but he refused to give further details.

Mr Beaudoin said the company plans the preferred issue partly to avoid further dilution of its common stock. Also, Bombardier shares have been depressed in the market by the company's C\$450m (US\$353m) claim against Trans-Manche Link to cover additional work on its C\$750m Channel Tunnel wagon contract.

He said Bombardier has already accounted for "an important portion" of the estimated losses on the contract.

VIAG chief in pay-out pledge

By Ariane Genillard in Düsseldorf

MID-YEAR profits of VIAG, the German energy-based conglomerate, are likely to fall below comparable figures a year earlier, Mr Alfred Pfeiffer, chairman, told the annual meeting.

However, he added that its annual dividend would remain unchanged at DM9 a share.

Net profits for 1992 fell by 9 per cent to DM366m (\$227m) on sales 3 per cent up at DM24.3bn. He attributed the rise in turnover largely to the first time inclusion of sales from VIAG's one-third stake in the Kühne & Nagel shipping and freight concern.

Mr Pfeiffer said that Viag had an interest in buying a majority stake in Kühne & Nagel but this depended on Mr Klaus-Michael Kühne, who owns the rest of the company.

Profits for VIAG's aluminium division suffered the most severe setback, falling to DM78m, down from DM120m the previous year. Mr Rainer Grohe, a VIAG director, said it had cut production of aluminium products in Germany by 25 per cent.

Xerox warns over core earnings

By Jeremy Bennallack-Hart

MR PAUL ALLAIRE, chairman of Xerox, has warned that second-quarter earnings in the company's core document processing operations could drop below the \$1.12-a-share level posted a year ago.

However, he said he still expected full-year earnings for those operations to show an increase on 1992.

Mr Allaire said the fall reflected fundamental changes in the management of the company's document processing business, the realignment of the US salesforce and continued weak economic conditions.

These factors had already affected first-quarter results, released last month, which showed overall net income of \$189m, or \$1.77 a share, against a loss of \$529m, or \$5.68, in the same period last year when the company took accounting charges. Income from the document processing business was \$125m, or \$1.12, against \$103m, or 91 cents. Revenues were unchanged at \$3.3bn.

Mr Allaire said that after the second quarter, "we expect sales momentum to increase as we realise the benefits of the sales reorganisation".

His comments, in a conference with security analysts, were made in view of the planned offering of 6m shares, announced in March, which the company said would go ahead this summer.

INTERNATIONAL COMPANIES AND FINANCE

Japanese securities houses and companies turn in fresh batch of poor results

Time running out for country's brokers

Cost-cutting needs to go deeper, writes Robert Thomson

FOR the past year, Yamatane Securities has squabbled with Sakura Bank over a restructuring that would wrest control from the broker's traditional family managers. It was appropriate that on the day the broker reported a Y10.4bn ($93.69m) pre-tax loss, 15 of its executives announced their resignation.

The Yamatane case, and a batch of generally bad results yesterday from other medium-sized brokers, suggests there is a limit to how much longer these companies will be allowed to go on reporting losses by their supporting financial institutions, be they larger brokers or banks.

Although these brokers have already trimmed staff, reduced office space, and delayed spending on new computer systems, the size of the pre-tax losses suggests the cuts will have to be much deeper.

The cause of the problems at the mid-sized brokers, and of the pain at the Big Four – Nomura, Daiwa, Nikko, and Yamaichi – is the rapid expansion of the domestic operations during the late 1980s, followed by a collapse of prices, turnover and new listings in the three years after the market peak of December 1989.

Most of the brokers are confident the Nikkei index, which hit 14,309.41 in August, down from 38,915.87 in late 1989, has recovered enough to keep it in the 20,000 range this year. That expectation has prompted all of the 14 largest brokers to forecast profits, including an ambitious Y60bn at Daiwa, which reported a Y7.3bn loss for the year ended in March.

The larger brokers point out that they don't have the bad-loan exposure of banks, although some houses do have a hidden exposure through the lending of their so-called non-bank financial company affiliates.

However, Nomura and the other leading brokers do have the advantage of a broader range of revenue sources than the smaller brokers, which are reliant on commissions for as much as 90 per cent of their income. The most notable second-tier exception is Kokusai Securities, which has close links to Nomura, and last year reported Y13.2bn profit on its bond dealings, though it still had a pre-tax loss of Y17.4bn.

Nomura's own bond trading volume rose 5 per cent, and profits on bond dealings rose 36 per cent to Y30.5bn, while a rush of straight issues late last year and early this year led to a 48 per cent increase in the amount of bonds underwritten and distributed.

"Thanks to the cuts in the official discount rate and the appreciation of the yen, bond prices rose and transaction volume increased, reversing the downward trend of the previous four years," Nomura said.

The surge in stock prices also meant the leading brokers reported lower valuation losses on their securities holdings than foreseen when the market was languishing. Nomura's loss was Y12.1bn, Daiwa's Y12.7bn, and Nikko's Y10.9bn.

Yamaichi, which has now reported two successive years of huge losses, saw a 27 per cent fall in commission income. It did make a profit of Y12.3bn on its securities dealings, against an embarrassing loss of Y32.1bn in the previous year, although dealings on stocks showed a Y1.9bn loss.

While Yamaichi may be the most vulnerable of the Big Four houses, there are far deeper concerns about the health of medium-sized brokers, which are struggling to keep market share and are yet to see a return of the individual investors, on whom they rely heavily for earnings.

RESULTS OF BIG FOUR SECURITIES FIRMS (Ym)

	Year to Mar 31 1993	Year to Mar 31 1992
Nomura Securities		
Commissions	195,835	249,023
Financial revenue	88,957	135,897
Profit on securities dealings	29,320	14,356
Pre-tax profit	2,375	44,101
Net profit	3,353	31,592
Daiwa Securities		
Commissions	143,958	180,801
Financial revenue	66,696	126,730
Profit on securities dealings	36,461	11,616
Pre-tax profit	-7,266	9,309
Net profit	-8,821	-43,514
Nikko Securities		
Commissions	137,309	173,107
Financial revenue	58,494	101,806
Profit on securities dealings	34,921	13,205
Pre-tax profit	2,532	3,142
Net profit	-6,476	-25,865
Yamaichi Securities		
Commissions	126,270	172,366
Financial revenue	50,116	91,118
Profit on securities dealings	12,340	-32,100
Pre-tax profit	-37,360	-36,514
Net Profit	-44,692	-53,236

Ms Alicia Ogawa, of Salomon Brothers, said the smaller brokers' profits were "more highly-geared to a recovery in volume on the exchange than the Big Four", but that their share of that turnover was "tenuous".

The continuing flow of red ink at brokers such as Kankaku Securities (a pre-tax loss of Y51bn), and Wako Securities (a loss of Y22.5bn), raises the question of whether their backing banks, Dai-Ichi Kangyo Bank and Industrial Bank of Japan respectively, will move to strengthen their control.

Only two of the 10 second-tier brokers, Tokyo Securities and Kokusai, announced dividends for the year, and all 10 houses reported sharply lower commissions and financial revenue, affected by the lowering of interest rates.

JVC dives to Y43.1bn loss and passes dividend

By Michiyo Nakamoto in Tokyo

JVC, the Japanese manufacturer of audio-visual products which brought the world the VHS video tape, yesterday reported a sharp deterioration in its business results and passed its dividend for the first time since it became a public company.

JVC reported a consolidated net loss of Y43.1bn ($388m) as sales in its most important product areas fell sharply amid the world-wide slump in the consumer electronics industry and as the yen's appreciation adversely affected overseas revenues.

The result was a significant setback from the previous year, when JVC reported a consolidated net profit of Y1.99bn.

The loss came on consolidated sales, down 8 per cent to Y768.89bn, as consumers refrained from buying in key markets, which have become saturated.

For the parent company alone, JVC reported a 15 per cent decline in sales, to Y513.16bn, and a pre-tax loss of Y26.13bn compared with a loss of Y2.13bn previously.

The company's businesses suffered a setback in both the domestic and overseas markets. In the domestic market, sales were down 1 per cent to Y260.2bn.

Sales overseas, nearly half of turnover, declined sharply by 26 per cent, to Y252.96bn, as the company moved to reduce stocks and as a result of the strong appreciation of the yen.

JVC has cut costs throughreductions in staff levels and restructuring of businesses, including factories. The company aims to reduce staff levels by 3,000 through natural wastage, curtailment of new recruitment and transfers of personnel to subsidiaries.

It forecasts a slight improvement in sales to Y540m in the year to March 1994 and a return to profitability during the year.

● Olympus, the camera and precision instruments maker, reported a 72 per cent rise in consolidated pre-tax profits in the year to March 1993 but a 25 per cent decline in net profits to Y3.8bn due to extraordinary costs related to a patent infringement settlement.

The increase came as consolidated sales rose 3 per cent to Y267.7bn. Olympus was hit by a payment to settle a patent infringement dispute brought by Honeywell, the US company.

For the parent company, Olympus reported a 10 per cent decline in pre-tax profits, to Y9.36bn, on sales down 1 per cent to Y187.75bn.

Although the company does not expect a substantial improvement in the business environment this year, it is forecasting a 23 per cent rise in pre-tax profits to Y11.5bn, and a 209 per cent increase in net profits to Y6bn on a non-consolidated basis as a result of restructuring.

● Clarion, the car audio manufacturer, reported a pre-tax loss of Y6.7bn on sales down 7 per cent to Y142.65bn. It passed its dividend.

The specialist audio maker was particularly hit by the downturn in the vehicle market.

Chemicals producer falls heavily

By Robert Thomson

MITSUBISHI Kasei, the leading Japanese chemicals maker, reported a 29.9 per cent fall in pre-tax profit, to Y9.3bn ($83.78m), for the year ended in March. It blamed the loss on falling demand for industrial chemicals and the slowing of the economy.

Sales for the year fell 2.3 per cent to Y709.83bn, although the company continued to expand outside its traditional lines and increased production of pharmaceuticals, biochemicals and electronic items.

The company is expecting to benefit from the stronger yen, which will lead to relatively lower prices for imported resources, but it is still concerned about the sluggish pace of the domestic economy and weak demand from core industrial customers.

Profits have now fallen for three years in succession. Mitsubishi Kasei is forecasting another fall this year, with pre-tax profits expected at Y6bn, on slightly higher sales.

Casio plunges 40%

By Wayne Aponte in Tokyo

CASIO Computer, the leading Japanese digital watchmaker, announced a 39.6 per cent fall, to Y11.5bn ($103.60m), in pre-tax profit for the year ended in March. It blamed the decline on the rapid appreciation of the yen in recent months.

Sales rose a mere 0.3 per cent to Y326bn during the year. Sales of electronic musical instruments declined by about 10 per cent, to 37.6bn, from the previous year, while sales of electronic calculators rose about 1 per cent to Y127.3bn.

Casio shares, which trade on the first section of the Tokyo Stock Exchange, lost Y10 to Y1,070 yesterday.

Belgian drug group to double Chinese output

By Our Beijing Staff

JANSSEN Pharmaceutical of Belgium plans to double its manufacturing capacity in China over the next two to three years to meet rapidly increasing demand for western medicine.

Mr Jerry Norskog, head of Janssen's $28m Xian joint venture, said the company would increase production to 2m packs annually as part of long-term plans to improve the range and volume of its drugs.

The move coincides with a drive by foreign pharmaceutical companies to gain entry to the China market in the light of new regulations that will benefit local producers.

"We have successfully fulfilled our first phase of strategy," said Mr Norskog. "We will be able to produce 2m packs of preparations a year when expansion is finished in two to three years. Our target is to supply the greater China market – not just the mainland, but also Taiwan and Hong Kong."

Janssen is likely to pick Xian, south-west of Beijing, for a planned second plant. "There we could get more personal attention and government support, though it might lag behind the coastal areas in infrastructure." said Mr Norskog.

Dr Paul Janssen, founder of Janssen Pharmaceutical, who has been visiting China, was due this week to sign a memorandum of understanding with the Nanjing Medical College to support further research into an Aids cure. They are examining combining traditional Chinese medicinal herbs with western medicine.

Xian Janssen Pharmaceutical is regarded as one of China's most successful joint ventures. Among its bigger-selling products are Sibelium, a palliative for migraine and dizziness, and Hismanal, an anti-histamine.

China has about 1,100 pharmaceutical plants with a turnover, in 1991, of 28.4bn yuan ($5bn). Most produce bulk pharmaceuticals. China spends $700m a year on imported drugs.

Telecom NZ suffers downturn

By Terry Hall in Wellington

HEAVY restructuring costs have led to a sharp fall in profits at Telecom Corporation of New Zealand.

The company, controlled by Bell Atlantic and Ameritech, has announced a profit of NZ$108m (US$58.6m) for the financial year to March 31, in line with analysts' predictions, after absorbing a restructuring charge of NZ$350m after tax. The restructuring includes laying off 5,500 staff by 1995.

Mr Peter Shirtcliffe, the chairman, said earnings excluding abnormal restructuring costs would have been NZ$458m, compared with NZ$444m in 1991-92.

The chairman said the company was expecting another pleasing year, and intended continuing to increase its dividends to shareholders. The company increased its final dividend by one cent to 8.5 cents a share.

Siam Cement first-quarter profits almost halved

By William Barnes in Bangkok

SIAM CEMENT, Thailand's leading industrial group, reported a 49 per cent fall in consolidated net profits for the first quarter of 1993 to Bt694.54m ($27.51m).

Sales of cement, approximately half the group's output, held up well but earnings were hit by fierce price competition, a sharp increase in capacity and higher depreciation and interest charges.

Mr Francis Middlehurst, an analyst with Crosby Research said domestic demand for cement had increased but export markets proved more difficult than expected because of the high transport costs.

First Asia Securities' analyst Colleen Duggan said the problems of the whole group – from building materials to car parts to pulp and paper – mirrored that of the economy.

"Siam Cement is practically everywhere dealing with producers expanding in the midst of oversupply. This is depressing a lot of industrial earnings and almost the entire construction sector," she said. First Asia recently halved its group net profits forecast for Siam Cement this year to Bt2bn.

● Post Publishing, publisher of the Bangkok Post, and just under 15 per cent owned by Mr Rupert Murdoch's News Corp, reported first-quarter net profits of Bt44.831m, down from Bt55.157m. Earnings were cut by the one-off expense of moving into a new headquarters and the launch last summer of a Thai language paper, the Siam Post, which is not expected to generate profits until 1994.

OBITUARY

GALLAGHER, - Chalfont St. Giles Buckinghamshire May 15th, 1993 (Peacefully): Charles, beloved husband of Pauline, née Fitzsimons: father of Brian Peter, Yvonne, Charles, David, Andrew, Daniel, Avril and Matthew. Greatly loved by all his family, daughters in law, son in law and grand-children. Removal Thursday 20th May at 7.00p.m. from Dublin Airport to Foxrock Church, arriving at 8.30p.m. Mass of the Resurrection at 11.30a.m. on Friday 21st May. Funeral afterwards to Shenganagh Cemetry. Funeral Directors Staffords, 60 North Strand, Dublin 3.

INTERNATIONAL CAPITAL MARKETS

Good reception for details of next gilt auction

By Jane Fuller in London and Patrick Harverson in New York

THE BANK of England's announcement that the next gilt auction would be of £3bn 7¾ per cent stock due 2006 lifted the UK government bond market at the end of the day.

The good reception was attributed to the size of the auction – at the bottom end of expectations – and to the comparatively low coupon.

A coupon below 8 per cent was taken as a sign of the bank's confidence in a lower inflation outlook. It also meant the gilt would be priced below par, building in a capital gain.

GOVERNMENT BONDS

The futures contract benefited most, gaining about ¾ points. In the cash market the auction area and beyond showed small gains.

■ DISAPPOINTMENT that the Bundesbank left the repo rate unchanged at 7.60 per cent caused a sell-off in the German government bond market.

The immobility cast a further pall over hopes that it would cut the Lombard or discount rates at its council meeting today, although a few were still looking for a ¼ reduction.

Once the June futures contract fell through 94.45, further sales were triggered. The day's low was 94.26, from which there was some recovery.

Expectations of a Yes vote in Denmark also acted as a drag on bunds, which are seen as losing more of their safe haven status. A Yes vote would give another push to the convergence story, activating further switches to higher yielders.

The yield spread of 10-year Danish government bonds over bunds would be expected to narrow significantly from yesterday's 71 basis points.

French government bonds have continued to benefit from this theme, with the bund-OAT yield spread coming in to as little as 29 basis points.

■ THE ITALIAN government bond market, already attracting demand as a high yielder, rose further on the news that withholding tax would be refunded much more quickly to overseas investors.

The 12½ per cent tax, which has taken six months to reclaim, has proved a deterrent to overseas investors. A new target of only two to three weeks was announced by the government, which needs overseas investors to finance the public sector deficit. It also announced spending cuts designed to counteract a looming overshoot on that deficit.

The BTP future gained 80 basis points to close near its all time high of 99.56.

■ THE JAPANESE government bond market took fright at a newspaper report that short-term interest rates might rise, exacerbating its concerns about economic recovery.

The September futures contract fell through a key support level, opening at 106.44 and closing at 106.11. In the cash market the yield on the benchmark No 145 rose from 4.575 per cent to 4.67 per cent. Once again there was a lack of domestic demand.

Other niggling factors were a rise in the overnight money rate to 3 per cent, the weakening of the yen against the dollar and declines in overseas government bond markets.

■ THE US Treasury yield curve continued to flatten as longer-dated securities posted fresh declines while the short end held its ground.

By midday the benchmark 30-year government bond was down ¼ at 101, yielding 6.983 per cent. At the short end of the market, the two-year note was unchanged at 99, to yield 4.009 per cent.

The day's only economic news – a 6.7 per cent increase in monthly housing starts – was largely ignored. Prices at the long end eased, however, because dealers' attention was focused on the Federal Reserve's policy-making Open Market Committee meeting.

Recent news on inflation has heightened speculation that the FOMC might decide to shift the bias of policy towards a tightening. Although this would not necessarily involve a hike in interest rates, it would make it more likely that they would go up, rather than stay steady or be lowered, over the coming months.

FT FIXED INTEREST INDICES

	May 18	May 17	May 14	May 13	May 12	Year ago	High *	Low *
Govt.Secs.(UK)	94.56	94.63	94.71	94.85	94.92	89.21	98.04	93.28
Fixed Interest	110.93	110.87	110.92	110.99	110.96	104.74	113.83	106.57

Basis 100: Government Securities 15/10/26; Fixed interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (6/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	May 17	May 14	May 13	May 12	May 11
Gilt Edged Bargains	98.3	92.4	88.5	98.4	118.7
5-Day average	97.3	97.5	101.3	99.4	102.4

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	113.0075	-0.844	7.64	7.52	7.45
BELGIUM		9.000	03/03	110.7500	-	7.42	7.48	7.60
CANADA *		7.250	06/03	98.7000	-0.050	7.73	7.53	7.31
DENMARK		8.000	05/03	103.2750	-0.100	7.52	7.69	7.66
FRANCE	BTAN	8.000	05/98	105.8400	+0.261	6.58	6.74	6.84
	OAT	8.500	04/03	109.6300	+0.090	7.11	7.22	7.07
GERMANY		6.75	04/03	99.5200	-0.255	6.81	6.77	6.54
ITALY		11.500	03/03	97.3100	+0.585	12.22†	12.63	13.11
JAPAN	No 119	4.800	06/99	101.0962	-0.680	4.57	4.36	4.20
	No 145	5.500	03/02	105.1937	-0.730	4.67	4.51	4.26
NETHERLANDS		7.000	02/03	102.4700	-0.080	6.64	6.65	6.50
SPAIN		10.300	06/02	95.3369	+0.002	11.13	11.62	11.44
UK GILTS		7.250	03/98	100-12	-3/32	7.15	7.11	7.00
		8.000	08/03	99-08	-3/32	8.12	8.08	7.89
		9.000	10/08	104-00	-4/32	8.53	8.47	8.27
US TREASURY *		8.250	02/03	101-09	-11/32	6.07	5.89	5.88
		7.125	02/23	101-24	-15/32	6.98	6.82	6.75
ECU (French Govt)		8.000	04/03	103.7000	+0.120	7.48	7.71	7.54

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Finnish forestry sector boosted by devaluation

By Christopher Brown-Humes in Stockholm and Tracy Corrigan in London

THE DEVALUATION of the Finnish markka has sparked international investor interest in Finnish stocks, prompting several issues in the forestry sector.

Metsä-Serla, one of Finland's leading forestry groups, plans to raise around $100m through a direct offering of B shares to international investors. The proceeds will be used to reduce the group's debt and to expand operations.

The group says that it wants to exploit increased international demand for its shares at a time when its financial performance is improving and its shares have risen strongly.

INTERNATIONAL EQUITY ISSUES

The group's B shares have risen by 72 per cent this year to FM172.

Meanwhile, Repola, another Finnish timber company which is 20 per cent owned by Metsä-Serla, has priced its international share offering at FM66.35 per share, approximately FM1 below Monday's closing price.

The offering was increased from 6m shares to 7m shares. SG Warburg, the lead underwriter, has the option to increase the size by a further 1m shares.

The size and price of the Metsä-Serla offering will be set according to market conditions after the June 9 publication of the group's financial figures for the first four months.

These are expected to show that the group has returned to profit, confirming the forecast it gave when it announced a 1992 loss of FM290m.

The issue is mainly being targeted at the US, UK, Swedish and central Europe markets, where demand for the group's shares has increased since Finland relaxed restrictions on foreign share ownership at the start of the year.

Metsä-Serla, along with other Finnish forestry groups, has seen its international competitiveness restored by the heavy depreciation of the markka since November 1991 and has also benefited from significant restructuring.

Mr Timo Poranen, chief executive, said: "Our main target with this issue is to reduce our gearing, but we also want to continue our focus on high value added production."

A specific plan is to convert the group's Kirkniemi mill to 100 per cent production of coated magazine paper.

Kleinwort Benson is the global co-ordinator of the offering, while Kansallis-Osake-Pankki has been appointed as co-lead manager.

This is the second international share issue to be announced by a leading Finnish group in the last few days.

Last weektelecommunications group Nokia announced that it was making a $100m offer. It confirms a growing sense of confidence among the country's leading exporters.

● Banco Santander, the Spanish commercial bank, said yesterday that it was launching a $195m share offer in the US, AP-DJ reports.

The offer, which is Santander's fourth US share tender since its first in September 1991, will bring to $750m the amount of capital it has raised on the New York Stock Exchange, the bank said.

"The funds obtained will reinforce Santander's broad capital base, raising its capital adequacy ratio to 13.57 per cent, the highest of the big Spanish banks," Santander said.

The preferential shares carry subscription but not voting rights and a maximum dividend of 8 per cent, the bank said.

● Chia-Hsin Cement, the third largest cement company in Taiwan, has priced its offering of global depositary receipts at $16.90, a premium of 3 per cent over a five-day average. Each global depositary receipt is based on 10 ordinary shares. The offering was arranged by Jardine Fleming.

Growth phase over for German CP

By David Waller in Frankfurt

THE PHASE of "stormy growth" in the German commercial paper market is over, the Bundesbank says in its May monthly report.

The German CP market was established in February 1991, much later than in other countries. It grew rapidly and within 18 months had become the fourth largest such market in Europe.

But the report says that with the decline in the German economy, demand for short-term funds has fallen sharply. Also, long-term interest rates have fallen, making it more attractive to borrow at the long end of the yield curve.

The volume of the German CP market was DM37bn at the end of last year, more than double the level at the end of 1991. But in April this year the utilisation of such programmes stood at 45 per cent, down from a peak of 60 per cent

Toyota Motor priced to ensure strong demand

By Tracy Corrigan

TOYOTA MOTOR Finance's $250m three-year deal, arranged by Credit Suisse First Boston, was priced attractively, to ensure strong demand, according to dealers.

The pricing of the deal was said to have been influenced by the poor performance of General Electric Capital Corporation's $200m three-year deal,

INTERNATIONAL BONDS

which was launched at 16 basis points over the comparable US Treasury yield last week.

This level was considered too aggressive. Yesterday, the deal traded as wide as 23 basis points, according to several traders.

By comparison, the Toyota Motor Finance deal appeared attractively priced at 33 basis points over the three-year US Treasury yield.

Although Toyota would typically need to be priced at a wider spread than GECC, even though both have triple-A ratings, the 10 basis point differential favoured the Toyota deal, according to traders.

By the end of the day, the Toyota spread had tightened by a basis point or two.

In the floating-rate note market, Credito Italiano launched a $75m issue, increased to $100m, using the popular collared structure, incorporating minimum and maximum coupon levels.

The minimum coupon of 6 per cent, the highest seen on a collared floater, encouraged strong retail demand, even though the debt is subordinated.

● Two UK building societies, the Nationwide and the National & Provincial, had their AA3-rated long-term debt placed under review for possible downgrade by Moody's yesterday. A downgrade would take both borrower's debt below the AA threshold applied by a number of investment managers, and could increase their funding costs.

Moody's cited concerns about asset quality and core earnings in the current competitive environment.

Mr Alastair Lyons, N&P's finance director, said the building society has no requirement to access the medium-term market this year, and will concentrate on the short-term market.

Mr Richard Lassen, treasury director of Nationwide, which had its debt placed under review lat year, but was not downgraded, said that the society will be a net repayer of debt this year.

Both had their Prime-1 commercial paper ratings confirmed.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Toyota Motor Finance(Neths)	250	4.75	99.79R	Jun.1996	0.1875R	+33 (4⅝%-96)	CSFB
Chugai Pharmaceutical Co.(a)ϕ	220	1.125	100	Jun.1997	2.25	-	Nomura International
National Bank of Hungary	150	8	99.5R	Jun.1998	1R	+275(5⅛%-98)	Bankers Trust Intl.
Credito Italiano, Hong Kong‡	100	(b)	99.75R	Jun.2003	0.5R	-	Credito Italiano, Milan
Nissho Iwai Europe	75	6	100R	Jun.1998	(c)	-	IBJ International
CANADIAN DOLLARS							
Bayerische Hypobank	100	7.375	98.6R	Jul.1998	1.875	+40 (5¾%-98)	Hambros Bank
ITALIAN LIRA							
European Investment Bank(d)‡	100bn	(d)	100.05	Mar.1998	0.15	-	San Paolo, Turin
PESETAS							
KfW Intl. Finance(e)	10bn	10.35	101.4	Jun.1998	1.625	-	Banco Central Hispano.
SWISS FRANCS							
Sogami Chain Co.(f)*ϕ	40	1	100	Jun.1997	-	-	Nomura Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. ϕWith equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Final terms fixed on 25/5/93. b) Coupon pays 6-month Libor - 0.125%; minimum 6%, maximum 10%. c) Fees undisclosed. d) Coupon pays 3-month Libor - 0.25%. Fungible with the outstanding L400bn. e) Matador bond. f) Final terms fixed on 24/5/93. Callable on 3/6/95 at 102% declining by 0.5% semi-annually.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on May 18

	Issued	Bid	Offer	Chg. day	Yield
U.S. DOLLAR STRAIGHTS					
ABN 9½ 94	200	105⅝	106⅛	-⅛	4.20
AlbertaProvince 9⅞ 95	600	110¼	110⅝		4.75
Alcatel 8½ 00	400	113	113½	-¼	6.07
[illegible]					

	Issued	Bid	Offer	Chg. day	Yield
OTHER STRAIGHTS					
Arbed 7½ 95 LFr	600	98¾	99¾	-⅛	8.13
ECSC 7¼ 94 LFr	1000	100	101		7.72
World Bank 8 96 LFr	1000	101½	102½	+⅛	7.45
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡ three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	23	46	9
Other Fixed Interest	7	5	3
Commercial, Industrial	297	274	829
Financial & Property	161	99	535
Oil & Gas	15	21	48
Plantations	0	1	7
Mines	30	61	50
Others	57	21	37
Totals	565	525	1,521

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
25	F.P.	-	32	29	Bramble Aggregates	32		-	-	-	-
170	F.P.	-	235	193	David Brown	225		10.0	2.4	3.3	16.0
40	F.P.	-	102	78	Division Group	94	-2	-	-	-	-
100	F.P.	-	165	100	Fleming Emerg Mkts	165		-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
32	Nil	24/5	9pm	7pm	†Greenfield Foods	9pm	
47	Nil	16/6	8pm	6pm	UK Safety	8pm	
171	Nil	30/6	13pm	[illegible]	United Eng.	12pm	

b Figures based on prospectus estimates. ‖ Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. ¶ Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. ‡ Unlisted securities market. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings May 17
- Last Dealings May 28
- Last Declarations Aug. 12
- For settlement Aug. 23

3-month call rate indications are shown in Saturday editions.

Calls in **Aerospace Eng., BET, Cluff Res., Era, Enterprise Computer, Greenwich Res., Hadleigh Inds., Hanson warrants, Hartstone, Kunick, Marshalls, Monarch Res., Micro Focus, Simon Eng., Telemetrix** and **Tibbett & Britten**. Puts in **Micro Focus** and **Tibbett & Britten**. Double in **Caldwell Invs.**

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	500	48	58	66	9½	17	26
(*542)	550	17	31	42	30	42	50
[illegible]							

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero	300	25	47	59	1	20	30
(*322)	330	2½	31	44	11	35	46
BAA	700	50	66	72	1	13	21
(*747)	750	4	27	44	6	38	44
Blue Circle	240	21	30	35	3	12½	17
(*254)	260	9	20	28	13	22	28
British Gas	280	17	26	30	3	8	14
(*292)	300	5½	14	19	12	17	25
Dixons	200	20	27	35	4	13	17
(*213)	220	8	17	25	14	24	28
Eurotunnel	380	23	45	60½	18½	33	44½
(*395)	420	9½	30	45½	35	51	61½
[illegible]							

EURO FT-SE INDEX (*2847) [illegible]

FT-SE INDEX (*2847) [illegible]

May 18 Total Contracts 29,395
Calls 17,478 Puts 11,917
FT-SE Index Calls 4,042 Puts 3,121
Euro FT-SE Calls 1,148 Puts 847
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Tue May 18	Day's change %	Mon May 17	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	127.41	-0.05	127.47	2.14	4.09
2	5-15 years (24)	145.74	-0.01	145.76	2.10	5.22
3	Over 15 years (10)	166.27	+0.20	165.96	2.36	3.48
4	Irredeemables (6)	174.19	-0.21	174.55	0.89	6.12
5	All stocks (63)	142.52	+0.01	142.50	2.17	4.58
	Index-Linked					
6	Up to 5 years (2)	183.30	+0.08	183.16	0.65	1.82
7	Over 5 years (11)	171.94	+0.05	171.85	1.00	1.72
8	All stocks (13)	172.35	+0.06	172.25	0.95	1.75
9	Debs & Loans (66)	128.74	+0.18	128.52	2.27	4.24

	AVERAGE GROSS REDEMPTION YIELDS		Tue May 18	Mon May 17	Year ago (approx.)
	British Government				
1	Low	5 years	7.16	7.14	8.11
2	Coupons	15 years	8.08	8.09	8.91
3	(0%-7¾%)	20 years	8.31	8.31	8.91
4	Medium	5 years	7.44	7.42	8.14
5	Coupons	15 years	8.50	8.51	8.95
6	(8%-10¾%)	20 years	8.68	8.66	8.93
7	High	5 years	7.66	7.64	9.34
8	Coupons	15 years	8.76	8.76	9.07
9	(11%-)	20 years	8.81	8.80	9.02
10	Irredeemables(Flat Yield)		8.68	8.64	9.11
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.89	2.90	3.98
12	Inflation rate 5%	Over 5 yrs.	3.59	3.59	4.40
13	Inflation rate 10%	Up to 5 yrs.	2.20	2.22	3.23
14	Inflation rate 10%	Over 5 yrs.	3.42	3.42	4.21
15	Debs &	5 years	9.04	9.02	10.50
16	Loans	15 years	9.54	9.56	10.30
17		25 years	9.68	9.71	10.21

هكذا من الأصل

Rentokil makes hostile bid for Securiguard

By Angus Foster

RENTOKIL Group, the environmental and property services company, yesterday launched a hostile £59.2m all cash bid for Securiguard, the provider of security and cleaning services in the UK and US.

The offer was rejected by Securiguard's board, who said it "significantly" undervalued the company and advised shareholders not to sell.

The 270p a share offer represented a 46 per cent premium to Securiguard's closing price on Monday of 185p. Following Securiguard's rejection, its shares closed 19p above the offer price at 289p, suggesting the market expected Rentokil to raise its offer.

"People can see how this deal will help Rentokil's earnings and so expect them to go a bit higher to get the bid recommended," an analyst said.

Mr Clive Thompson, Rentokil's chief executive, said the company saw security and guarding services as a good fit with its other business services, like property management. Securiguard's cleaning activities, expanded in 1990 through the purchase of Madison, could fit with Rentokil's office cleaning activities, Mr Thompson said.

Rentokil appeared less interested in Securiguard's other divisions, communications and personnel.

Securiguard, which gained a full listing in 1987, has seen its shares underperform since 1990 because of fears about the quality of its management and business. Although it holds some high profile contracts, such as providing security for New York's Kennedy airport, its cleaning division is thought to be skewed towards low margin, local authority business.

In the year to November, the company reported pre-tax profits of £5.74m on sales of £165.1m. One stock market analyst expects profits this year of £6.2m, putting the shares on 13.8 times earnings at yesterday's closing price.

Securiguard had net assets of £2.68m at its year end. Rentokil said it would need to write off about £57m in goodwill if the bid succeeded.

According to analysts, the acquisition would enhance short term earnings at Rentokil, which had net cash of £60.2m at December 31. However, the company's shares fell 4p to 193p on concerns about longer term earnings growth and questions about the quality of Securiguard's profits.

Mr Thompson said Rentokil believed customers increasingly wanted quality security services and this would allow improved margins.

Securiguard employs about 15,000 people, including part time workers.

Rentokil is making the offer through its financial adviser County NatWest. Securiguard is advised by BZW.

Elswick near £2m in black

By Don Farrell

ELSWICK overcame a tough year, particularly in the last four months, to produce a pre-tax profit of £1.91m for the 12 months ended January 31.

Reminding shareholders that trading was weighted towards the first half, Mr Bill Cross, chairman, said the second period was constrained by unusually subdued demand in specialised print and packaging, and by particularly adverse weather which led to £1m of lost sales in equipment and services.

Those constraints were not carried over to the current year which had "started briskly", said Mr Cross.

The accounts comply with FRS 3, and 1991-92 now showed a pre-tax loss of £1.54m after a £1.68m loss on disposal of Falcon Cycles.

Print and packaging sales rose 8 per cent to £28.1m, but operating profit fell to £2.74m (£2.81m) after £150,000 non-recurring expenditure on a new offset litho press.

Earnings per share came to 0.78p (losses 0.82p). The final dividend is 0.15p for a total of 0.3p (0.22p).

Mr Cross is retiring as chairman on July 22 and will be succeeded by Lord Lane.

Prudence pays dividends for M&S

By Neil Buckley

"IT doesn't worry me if I'm not described as entrepreneurial and all those other business-school adjectives," says Sir Richard Greenbury, Marks and Spencer's chairman and chief executive. "I'm quite prepared to be a tortoise provided we get there."

Sir Richard's cautious prudence has paid off. M&S yesterday snatched back the crown of the UK's most profitable retailer.

The Stock Market's downbeat reaction surprised some analysts, who suggested the City was concerned about a wage settlement that will add 6 per cent to M&S's wage bills, and was disappointed that sales growth was not greater.

But, as one analyst put it, "Marks and Spencer has never been a top-line story". The company makes money by being a superbly-run operation, and that was perhaps more true this year than ever, with pre-tax profits up 10 per cent even stripping out last year's exceptional items, on turnover up only 3.4 per cent overall.

Improvements in information technology helped M&S keep firmer control of its stock, avoiding the need to discount to get rid of surpluses as many other retailers do.

That technology has also improved distribution, enabling M&S to respond quickly to changes in fashions, and keep operating costs down. The result was a 6.8 per cent rise in UK operating profits, on turnover up only 1.8 per cent.

The improvements in efficiency also enabled M&S to freeze prices for 75 per cent of its clothing, and reduce prices for 25 per cent by cutting its buying margins.

Profits were also boosted by improved performances abroad. Sales in continental Europe increased 22 per cent, while operating profits were up 15 per cent to £27m. In North America, there was evidence that the company's homegrown expertise was bearing fruit. The Canadian operations climbed out of the red for the first time, with an operating profit of £0.1m, after the closure of 30 stores and a 55 per cent reduction in staffing in the past two years.

Brooks Brothers in the US increased operating profits by 20 per cent – the third successive rise – while Kings Super Markets also saw operating profits grow 20 per cent. In the Far East, improved merchandise values, cataloguing and distribution lifted sales 64 per cent, and operating profits 68 per cent to £10.6m.

As UK consumers start spending again, and the company steps up its overseas expansion, M&S looks likely to remain a tortoise to watch.

Newcomer Linx issues profit warning

By Richard Gourlay

LINX Printing Technologies, the manufacturer of continuous ink-jet printing equipment, yesterday shocked the market with a profits warning just six months after its listing.

The shares fell 36p to 139p, some 9p above the price at which they were placed last October. The warning comes six weeks after a similar statement from Domino Printing Sciences, its larger UK rival.

The unexpected difficulties both companies have come up against suggest their products have met greater than expected competition from Videojet, of the US, and Imaje, of France.

Linx said pre-tax profit this year would be "around the same level" as the £1.64m achieved in the year ended June 30 1992, and lower than it expected at the time of the interim results on March 3. It still intended to recommend a final dividend of 1.73p, giving 2.08p for 1992-93.

The market had been expecting profits of about £2.2m.

Shortly after the interim statement, Mr Derek Harris, chairman, sold 300,000 shares at 183p. That was for personal reasons and he retains 500,000 shares.

In the interim statement Linx said sales in Europe, including the UK, had risen. There was strong growth in France and Italy and slower progress in Germany and the UK.

Yesterday it conceded that sales had suffered "particularly in the UK and Germany due to tighter market conditions caused by recession.

It was reviewing the sales and marketing strategy in Europe.

Mr Harris said the company had been expecting to sell significantly more in the second half. As the product carried high gross margins, any reduction in sales had a large impact on the bottom line.

"At the time of the interims we had no idea (about the lower sales)", said Mr Harris.

Shares in Domino Printing fell 11p to 508p after its profit warning.

Warburg in US expansion

By Tracy Corrigan

SG WARBURG is to purchase KC-CO, a Chicago-based derivatives trading partnership, as part of a drive to expand its derivatives business.

KC-CO has seats on the Chicago Board Options Exchange and Chicago Mercantile Exchange. Founded in 1985, the 60-strong firm had net assets of $22.4m as at December 31.

Other the past few years, many of Chicago's specialist derivatives firms have been bought by larger institutions.

The terms of the KC-CO acquisition, while not fully disclosed, include SG Warburg Group ordinary shares to a value of $15m and warrants to subscribe for a further 9.75m shares.

However, the deal is subject to restrictions, principally continued service by former partners of KC-CO for a period of up to five years.

The right to exercise most of the warrants, which carry a strike price of 800p and are exercisable between four and 10 years after completion, is subject to SG Warburg ordinary shares having reached certain threshold levels up to £10.50 within the next four years.

FT Ordinary Index

ON June 1 1993, when the demerger of ICI and Zeneca comes into effect, ICI will remain a constituent of the Financial Times Ordinary Share Index (the "30 Share").

FT Fixed Interest Index

On May 18 1993 there will be a number of constituent changes to the FT Fixed Interest:

GEC 7¾ % Uns Loan Stk 1988/93, Unilever 5¼ % Uns Loan Stk 1991/96 and BAT 5 % Cum Pref will be replaced by Allied Lyons 9¾ % Deb Stk 2019, Forte 10 % Deb Stk 2018 and General Accident 8¾ % Cum Pref shares.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied-Lyons ......fin	14.05	July 30	13.35	21	20
Baring Stratton ......fin	2.29	June 23	1.7	2.29	1.7
BOC ......int	11.6	Aug 2	11	23.2	22
Concentric ......int	1.77	July 1	1.77*	-	5.585*
Diploma ......int	3.5	July 1	2.75	-	9.75
Elswick ......fin	0.15	July 23	nil	0.3	0.22
Fenner ......int	nil	-	1.7	-	4.2
Hanson ......int	2.85	July 1	2.75	-	5.5
H'tlepools Water ......fin	33	July 1	29	55	50
Marks & Spencer ......fin	5.9	July 30	5	8.1	7.1
Narborough Plant ......int	0.5	June 28	0.5	-	1.5
River & Merc Am ......int	1.8	Aug 6	1.8	-	7.8
Yorks-Tyne Tees ......int	3.3	July 30	3.3	-	12
Young (H) ......int	2	July 16	2	-	3

Dividends shown pence per share net except where otherwise stated. *Adjusted for scrip issue. †On increased capital. §USM stock.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Acatos & Hutcheson, Anglo Irish Bank, Baggeridge Brick, Compass, Dunedin Worldwide Inv., Group Development Capital Trust, Lloyds, M & G Income, New Zealand Inv. Trust.

Finals- Boris, Chamberlin & Hill, El Oro Mining & Exploration, Exploration Co., French Connection, Gates (Frank G), Gerrard & National, Land Securities, M & G Recovery, Young & Cos Brewery.

FUTURE DATES

Interims-	
Apollo Metals	May 27
Dobson Park	May 27
Faber Prest	Jun. 1
Greencore	Jun. 9
North American Gas Inv.	May 21
Finals-	
Jarvis Porter	May 24
Portsmouth & Sunderland	Jun. 16
Prime People	May 25
South Wales Electricity	Jun. 17
TR Property Inv. Trust	May 26
Toshiba	May 27
Unigate	Jun. 8

More than £8bn cash available for a big takeover bid

Hanson improves to £507m

By Roland Rudd

HANSON, the Anglo-US conglomerate, yesterday reported pre-tax profits slightly higher at £507m, compared with £500m, in the half year to March 31, after £47m of profits on disposals from discontinued operations and fixed assets.

Trading profits rose from £449m to £465m on increased sales of £4.8bn (£4.17bn). The stronger dollar accounted for up to £30m of profits.

Fully diluted earnings per share fell from 8.5p to 7.7p. The divided is held at 2.85p.

The group's net debt more than doubled to £1.59bn, although more than £[illegible]m of the increase was due to the rise in the value of the dollar debt.

Mr Derek Bonham, chief executive, said: "With more than £8bn of cash we have the resources to write a mammoth cheque; if underperforming companies think Hanson is not in a position to do big takeovers they could be in for a nasty shock."

Mr David Clarke, chief executive of Hanson Industries, the group's US arm, said while large acquisitions would continue to be part of the group's strategy the greatest potential for growth would come from "continued capital investment in our businesses".

Capital expenditure rose from £110m to £144m. The tax charge increased from £87m to £134m.

The US consumer businesses increased operating profits from £46m to £63m offseting a disappointing result from Peabody Coal, suffering from industrial action, which saw profits fall from £69m to £54m.

Despite Cavenham Forest Industries' increased profits of £50m (£34m), the overall £3m increase in building products to £92m was less than expected because aggregates saw its profits fall from £14m to £2m.

Group pre-tax profits included £20m profit on the sale of Weber Aircraft; £7m from selling half its stake in Wassall, the mini-conglomerate, and a further £20m from the granting of additional rights to Shanks & McEwan, the waste management group, at landfill sites.

COMMENT

Notwithstanding Hanson's ability to write a big cheque, talk of the group's greatest potential coming from existing businesses and bolt-on acquisitions appears to underline the growing influence of the new mangement. If so, then Hanson must be judged by the profitability of its mainstream business. The best that can be said is that on balance the group performed credibly. While consumer businesses out-performed market expectations, building products fared worse. There remain nagging financial problems, such as the higher tax charge, the unwinding of its interest rate arbitrage position and net provisions of £144m. Recent changes in advance corporation tax and the fact that interest income fell by just £8m to £36m may indicate that some of those fears could be exaggerated. With forecast full year earnings of £1.[illegible]bn the shares - down 5¼p to 237¾p - are fairly priced on a prospective multiple of 13.6.

Diploma shows improvement to £8.1m

By Peter Pearse

DIPLOMA, the electronics, building products and special steels group, lifted pre-tax profits from £2.5m to £8.1m in the six months to March 31.

However, the advance was flattered by the restating of last time's figures to conform with FRS 3 accounting standards.

As reported, the previous profits emerged at £6.2m; restated, the losses of £1.1m on a disposal and £2.6m on goodwill have now become exceptional charges.

Mr Christopher Thomas, chairman, said that the six months under review had been one of "two contrasting quarters, with considerably greater buoyancy in the more recent period".

He said that "the worst of the long, deep recession appears to be over, if our own experience over the last few months is indicative".

As previously, there were two star performers.

Macro, the active components distributor, made profits of £3.2m on turnover of £[illegible]m out of the electronic division's £5.7m and £49m totals. It lifted its own profits and sales 75 per cent and 35 per cent respectively.

Mr Thomas added that the smaller Nortronic also performed well, with profits up 50 per cent.

The other star was IG Linteis, which made £2.5m of the building products division's £2.7m, though the first quarter had been "unexciting".

However loss-making Norwood Partitions had to be reorganised and its workforce halved to 30, resulting in an exceptional debit of £1.1m.

Again oil sector uncertainty affected steels, though the reorganised H Whitham increased profitability.

Group turnover was £74m (£61.5m) and operating profits £8.5m (£5.1m). The interim dividend is hoisted to 3.5p (2.75p), payable from earnings per share of 10.7p (7.3p).

Approval for Wellcome's Zovirax

By Paul Abrahams

WELLCOME, the UK drugs group, yesterday announced the UK health authorities had approved its Zovirax herpes treatment for sale over the counter (OTC) with a prescription at pharmacies.

The approval is for the cream rather than intravenous or oral formulations. The cream formulation represents about 30 per cent of sales of Zovirax, Wellcome's best-selling medicine which generated sales of £586m last year.

The product should be launched in mid-July, although a Parliamentary order is required to complete the change in status from prescription-only to OTC.

The group has substantial ambitions for selling Zovirax OTC. In New Zealand, sales rose 31 per cent during the 12 months after its became available OTC. For the previous 18 months sales had been static.

Wellcome continues to search for a partner to strengthen its OTC operations which Mr John Robb, chief executive, believes do not have critical mass. He argues the business is too dependent upon cough and cold remedies, and does not have enough presence in continental Europe, north America and Australasia. The danger, he warns, is that Wellcome could miss out on the big OTC opportunity presented by Zovirax.

Mr Robb has ruled out OTC acquisitions which are too expensive, but says he is considering the possibility of a separate joint-venture company, in which Wellcome could be the junior rather than senior partner. The group has recently signed a co-promotion agreement with Rhône-Poulenc Rorer in France. Mr Robb says a collaborative venture for co-development in Japan remained a high priority.

Wellcome launched Zovirax OTC in Germany last September and this month began a large television advertising campaign.

Fisons' chairman rejects call for merger

By Paul Abrahams

FISONS' chairman, Sir Patrick Egan, yesterday rejected calls at the group's annual general meeting for the pharmaceuticals and scientific equipment company to merge with another group.

A shareholder said the new management had "totally lost credibility" following the decision to cease developing tipredane, a potentially important asthma treatment, and what Sir Patrick admitted had been a disappointing year.

The shareholder said: "Maybe now is the time to consider a merger so shareholders can look forward to some future growth."

Sir Patrick said the company was continuing to put its house in order. "We are confident we now have the right strategies and capital investment in R&D to create further growth for shareholders," he explained. He added that the group would continue to look for collaborative alliances.

He warned, however, that Fisons' growth during the first half of 1993 would be held back by the recession on the Continent and pressure on margins scientific instruments This business had had a very difficult time last year, said Sir Patrick.

Meanwhile, the group announced it had agreed to sell its North American horticulture business to Macluan Capital Corporation, the Vancouver-based group, for $60m (£39m) cash.

The Fisons business had turnover of about $85m last year and operating profits of about $14m. Proceeds would be used to reduce borrowings.

The UK business and two small Continental operations were still for sale. Sir Patrick claimed they were trading profitably, and warned he would prefer to keep them rather than sell them at knock-down prices.

Tilade, Fisons' latest asthma treatment, would be launched this month, said Sir Patrick. He said he expected a licence for the product in Japan later this year.

Banque Indosuez considers listing for Gartmore shares

By Norma Cohen, Investments Correspondent

BANQUE INDOSUEZ, the French investment bank, announced yesterday that it was considering listing the shares of Gartmore, the UK fund manager, on the London Stock Exchange.

Banque Indosuez will retain a controlling interest and is expected to sell anywhere from 25 per cent to 49 per cent of its stake. Gartmore was purchased from British and Commonwealth for £132m and it is now capitalised at between an estimated £200m and £250m.

Mr Paul Myners, chairman of Gartmore, said that so far there were no immediate flotation plans and investment advisers had not yet been retained.

"We made an announcement at an early stage because in the nature of our business we regularly have to answer questions from clients about our ownership," Mr Myners said. The company felt a public announcement was preferable to allowing a leak of a planned flotation to raise questions about Gartmore's future.

Over the past five years Gartmore has become one of Britain's most successful fund management companies. Assets under management have soared from £6.3bn in April 1990, when it was acquired by Banque Indosuez to £14.5bn in April 1993. It now ranks as one of the so-called "Big Four" of UK fund managers handling pension fund accounts which have attracted a disproportionate amount of the business due to consistently above-average investment returns.

Its performance in its long-term balanced pools have been well above the median for the past 4½ years and last year the median return on its segregated pension fund pool was 26 per cent. This compares with an industry median of 21.8 per cent according to Combined Actuarial Performance Services, a performance measurement group.

Roughly 80 per cent of the company's assets under management are those of UK pension schemes, and Mr Myners said Gartmore is seeking to diversify the source of its business.

RPC to join the market with £75m tag

By Richard Gourlay

SHARES in RPC Group, the plastic packaging company, are to be sold to the public through an intermediaries offer next week at a price of 125p, valuing the company at £75m.

The company is raising £[illegible]m net in the sale and the placing underwritten yesterday by Baring Brothers. The three key directors are not selling any shares and will not do so for at least a year.

The company will use £[illegible]m of the proceeds and will take on [illegible] debt to redeem £23.1m of preference shares and shares held by employees.

Of the shares being placed, 9.[illegible]m are subject to recall to satisfy valid applications from preferential applicants under the intermediaries offer.

At 125p, the company has a historic p.e multiple of 15.1 times. The notional yield is 3 per cent and the notional net dividend for the year to end-March 1993 is 3p.

RPC was a management buy-out in 1991 from SCA, the Swedish paper and forest products group. SCA had bought the group from Reedpack, in turn an MBO from Reed International.

The offer closes at noon on May 25 and trading begins on May 28. It is underwritten by Baring Brothers and the broker is Cazenove.

COMMENT

RPC has the look of a thoroughly solid company. Cash generation is strong; it appears, unlike many MBOs, to have invested in its future. And the applications for polymer based rigid packaging are growing soundly, so it can expect to take market share from glass, for example. The company is already producing fine double digit margins, so there can be only limited improvement here. But as the economy recovers, so growth should emerge strongly from its largest market sector – paint pots, even if elsewhere sales are less geared to recovery. The pricing, while by no means ambitious, is also not overly generous. At 125p, RPC is almost bang in line with rival, Plysu's prospective multiple of about 14 times. On balance though this a reasonable rate at which to be getting on board a long-term growth stock where strong management is already up and running.

Venables ally comes under threat

By Jane Fuller

MR ALAN Sugar's attempt to undermine the powerbase of Mr Terry Venables at Tottenham Hotspur, the north London football club which the pair rescued in 1991, has turned to Mr Venables' one supporter on the board.

It is understood that Mr Jonathan Crystal, a barrister who joined the board in August 1991, is to be asked to resign. Mr Sugar, who owns 48 per cent of Tottenham's shares, has made it clear that he resents Mr Crystal's influence over Mr Venables.

Another of Mr Venables' associates, Mr Eddie Ashby, who has acted as a consultant at Tottenham, had his services terminated by the board on Monday. The same meeting discussed Mr Crystal's directorship – in his absence – including the possibility of holding an EGM to consider his removal.

On Friday, Mr Crystal was the only board member to vote against Mr Sugar's move to sack Mr Venables as chief executive. He was later reinstated, by a High Court order, until a hearing on May 25.

Signs of UK recovery weak while upturn in US moving erratically

BOC shows 11% rise to £180m

By Paul Abrahams

BOC, the industrial gases and drugs group, yesterday reported profits on ordinary activities before tax up 11 per cent from £162.1m to £180.1m for the six months to March 31.

The results were flattered by favourable currency movements. The rate was $1.53 to the pound during the six months, compared with $1.78 over the same period last year. At constant exchange rates the rise was limited to 3 per cent. The figures were achieved on turnover up 10.4 per cent from £1.37bn to £1.51bn.

A second interim dividend of 11.6p (11p) is to be paid making a total for the year of 23.2p (22p). Earnings per share for the period came out at 23.55p (21.55p).

The group, which believes its industrial gases businesses represent good economic indicators, warned that the UK recovery was weak, with the favourable trend in retail sales filtering only slowly into industrial activity.

Mr Patrick Rich, chairman, said the upturn in the US was moving erratically and there were no signs yet that the recovery had staying power. The impact on demand remained restrained, he warned. Meanwhile, the German economy was heading for a crisis similar to that faced by the UK in the early 1980s, he said.

The Japanese economy had hit the trough, he felt, but the north Pacific markets continued to boom.

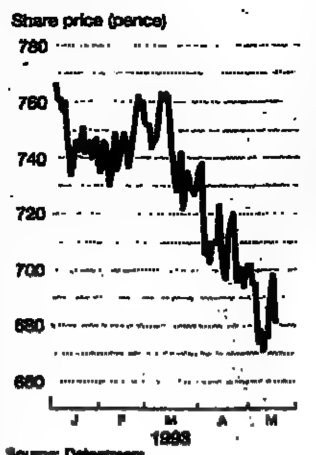
Gases and related products reported operating profits up from £144m to £154.1m on turnover of £1.13bn (£1bn). Mr Rich said demand for liquid gases was up, but demand for cylinders was static. Prices and margins for the businesses remained stable.

Operating profits at the healthcare division increased from £48.2m to £54.9m on sales of £303.5m (£255.6m). The figures masked a deterioration in sales during the second quarter, following the expiry of the US patents of Forane, the group's best-selling anaesthetic at the end of January.

Mr Rich said a tough and professional battle was emerging between BOC and Abbot, the US group which had launched a generic version of Forane.

Headline prices had fallen between 10 per cent and 15 per cent, and data from IMS, the market research company, suggested BOC had lost 12 per cent market share by value. Before the expiry it held 70 per cent of the market, according to analysts. Sales of Suprane, BOC's replacement product, had been held up by a fire which had disrupted supplies, said Mr Rich.

BOC



Source: Datastream

COMMENT

The company's gloomy forecasts for growth suggest that progress must come from cost-cutting and the healthcare business. However, the rapid loss of market share in the US by the highly-profitable Forane has been faster than analysts' expectations, while the take-up of Suprane has been slower. The next two quarters will be crucial. With the industrial side held back and the healthcare business struggling, there appears to be little about which to be excited.

Concentric profits expand to £4.35m

By Catherine Milton

CONCENTRIC, the Birmingham-based engineering and components group, raised pre-tax profits from £3.52m to £4.35m in the six months ended March 31 1993..

Mr Tony Firth, chairman, said hopes that difficulties in continental European markets would be mitigated by the September devaluation of sterling had not been fulfilled "as smoothly as had been hoped".

The reasons were customers' resistance to price increases, rises in the costs of raw materials and the severity of the "collapse" in European markets.

Turnover on continuing operations rose to £60.7m (£58.7m) of which 28 per cent was exported. Margins improved by a fifth to more than 7 per cent.

More than half of turnover serves the automotive industry. The group had been somewhat protected from the car industry's downturn because it makes parts for a range of automotive products from tractors to racing cars.

Concentric Pumps, which supplies oil and water pumps to diesel engines, was the biggest single contributor to sales after "problems a couple of years ago" had been resolved.

Sales of satellite dishes were poor, partly for cyclical reasons. A stock adjustment was in progress because of changed technical standards.

Concentric Controls, which makes components for the domestic gas supply industry, including valves under the control knobs on gas cookers, was doing "quite well", the chairman said. It bought Langdon Kingsway, a small fire protection equipment maker.

A sales and support office was opened in Mexico last year making a total of four overseas.

The group was cash positive" following last year's £12.5m rights issue. Capital expenditure so far this year, mainly on buildings, was already more than the £4.5m spent last year.

An unchanges interim dividend of 1.77p is declared out of earnings of 5.63p (5.38p).

Sedgwick slips in opening quarter

FIRST-quarter pre-tax profits from the Sedgwick Group of insurance brokers came to £40.7m, compared with £41.5m last time.

Mr Sax Riley, chief executive, said the difficult market conditions continued, but there were indications that rates were hardening in some areas of business in the US.

In London there were substantial rates increases in areas such as aviation, oil and gas, and marine hull business, but there was a marked contraction in the size and capacity of the market.

For the three months to March 31 brokerage and fees rose 3 per cent at constant exchange rates.

There was strong growth in continental Europe and Asia Pacific broking operations, in Sedgwick Payne in the US and in consulting worldwide.

Lower interest rates in the US and UK led to a 27 per cent drop in investment income, but the profit benefited by £5.1m as a result of currency management activities and weaker level of sterling.

Earnings per share for the period worked through at 5.7p (6.4p).

Capital Exchange launches fund-raising initiative

By Charles Batchelor

PLANS for a market in bonds issued by small and medium-sized unquoted companies have been launched by the Capital Exchange, a small company which is attempting to increase the supply of capital to small firms.

Companies which have been trading for at least three years would be able to issue what would be known as SME (small and medium-sized enterprise) bonds for amounts of between £250,000 and £5m.

Capital Exchange hopes to launch the Private Syndicated Funding Scheme later this year, but will have to obtain approval from the Securities and Investments Board.

The scheme is intended to make capital available to smaller companies which face the prospect of the possible closure of the USM and the ending of the Business Expansion Scheme at the end of this year.

In January the Capital Exchange launched the Capital Exchange Gazette, a bi-monthly magazine intended to form a meeting place for small businesses seeking finance and private investors and larger companies looking for investment opportunities.

The magazine has 400 subscribers, but Capital Exchange hopes to increase this to 50,000 within three years. The gazette is aimed at companies seeking between £5,000 and £250,000. The bond scheme is for companies wanting larger amounts.

The bonds of companies which pass the audit and management criteria for the private syndicated funding scheme will be offered to subscribers to the magazine and to the public by means of a synopsis in the national press.

Bonds would be issued in £500 denominations. Interest, at an agreed rate above London Interbank Offered Rate, would be paid on half of the bonds' nominal value while dividends would be paid on the other half. Under normal circumstances, Capital Exchange said, companies would be expected to make dividend payments to bondholders.

Information on bond-issuing companies would be included in the magazine and Capital Exchange would encourage operation of an after-market.

H Young improves to £532,000

H YOUNG Holdings lifted first half 1992-93 pre-tax profit from £437,000 to £532,000.

After a slow start the automotive and electronics distribution group showed the beginning of an improvement in December.

This had continued to date with sales from continuing businesses 2 per cent ahead of budget and 8 per cent up on last year. All divisions were ahead.

Mr John Wilson, chairman, said the increases were mainly attributable to the introduction of new products, although the "patchy improvement" in the economy was showing in higher sales and orders in the last three months, mainly in electronics.

Overall turnover in the six months ended March 31 1993 came to £16.3m (£15.6m) and the operating profit to £749,000 (£638,000) with continuing businesses accounting for £766,000 (£639,000).

Earnings per share worked through at 2.15p (1.72p) and the interim dividend is held at 2p.

NEWS IN BRIEF

AMINEX has raised £69,000 from a placing for cash of 1.19m shares at 5.85p per share. They were placed with East West Oil and that company will have an interest of 9.1 per cent in the Aminex.

BONDGROWTH has declared its offer for Bexbuild Developments unconditional after receiving valid acceptances for 99.05 per cent of the voting rights.

BRIDPORT-GUNDRY, the medical, aviation and defence products company, is selling certain assets and trade of J&W Stuart to its management for £300,000 cash. Further consideration up to £150,000 relates to debtors and stock. Stuart, which makes and sells fishing trawls and supplies fishing gear, made pre-tax profits of £50,000 in the year to July 31 1992.

BROWN SHIPLEY: GPG has received valid acceptances in respect of 86.3 per cent of the voting capital. The offer remains open.

BUCKINGHAM INTERNATIONAL: Acceptances by the fourth closing date in respect of the offer from Purlieus amounted to 71.99m shares (59.7 per cent) and £17.2m in respect of Buckingham loan stock (52 per cent). The ordinary offer has already been declared unconditional and Purlieus said neither the ordinary nor loan stock offers would be extended.

CAIRN ENERGY has declared its offer for Teredo Petroleum unconditional. Acceptances totalled some 57.5 per cent of the capital.

CELESTION Industries has changed its name to Magellan Industries.

EIS GROUP rights issue has been taken up as to 91.4 per cent.

HEADLAND Group rights taken up by 97 per cent. Balance placed at 136.6p per share.

MARTIN CURRIE Pacific Trust is proposing a 2-for-1 scrip and a warrant issue. They are to take effect on the same day, which means that shareholders will have one warrant for every five ordinary shares.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.05.93: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.70	18.54	18.54
0100	18.68	18.03	18.03
0130	23.66	18.87	18.87
0200	26.92	24.63	27.82
0230	26.92	25.26	29.45
0300	26.92	18.87	18.87
0330	23.66	18.87	18.87
0400	18.68	18.87	18.87
0430	18.68	18.60	18.60
0500	18.68	18.60	18.60
0530	19.00	18.52	18.52
0600	18.69	18.46	18.46
0630	23.39	18.60	18.60
0700	24.36	19.00	19.00
0730	25.50	24.46	27.50
0800	26.49	24.78	27.82
0830	27.52	26.79	29.89
0900	27.89	26.83	29.95
0930	31.72	27.41	30.54
1000	31.69	27.44	30.57
1030	29.61	27.44	30.57
1100	29.56	26.92	30.03
1130	27.86	27.47	30.62
1200	31.70	29.90	33.13
1230	31.64	29.85	33.08
1300	29.47	27.36	30.44
1330	27.35	25.26	28.36
1400	25.56	25.35	28.35
1430	25.54	25.17	28.17
1500	25.53	25.17	28.16
1530	26.36	25.17	28.16
1600	26.41	25.12	28.12
1630	32.12	30.68	33.88
1700	34.15	30.68	33.81
1730	34.11	30.68	33.81
1800	26.37	30.67	33.84
1830	25.49	25.34	28.36
1900	25.49	25.17	28.19
1930	26.21	25.12	28.15
2000	25.21	19.05	19.05
2030	26.21	25.17	28.19
2100	25.21	38.90	43.36
2130	25.21	38.90	43.32
2200	35.00	38.90	43.36
2230	35.00	25.34	28.36
2300	25.13	25.34	28.40
2330	24.36	24.69	27.64
2400	28.45	19.00	19.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone [illegible] between 8:30am and 5:15pm Monday to Friday.

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COMPANY NEWS: UK

Fenner passes interim as exceptionals bite

By Andrew Baxter

FENNER, the Hull-based industrial group which last month revealed "indications of interest" in the company, is passing its interim dividend and undergoing a further programme of disposals and rationalisations among its smaller businesses.

The diversified producer of power transmission equipment, industrial conveyer belting and fluid power products announced that pre-tax profits in the six months ended February 28 fell from £2.28m to £105,000, on turnover down slightly from £97.7m to £97.2m.

The decline in profits partly reflects a net exceptional charge of £1.4m. Redundancy and rationalisation costs of £1.8m, and £1.2m of professional fees associated with an aborted merger, were offset by a £1.6m profit on the sale of the Fenner Industrial Controls business in the US.

After minority interests, and a higher overseas tax charge of £1.7m – previous tax losses in the US have now been absorbed – there was a loss attributable to shareholders of £2.29m or 5.24p a share, compared with profit of £174,000 or 0.41p a share a year ago. The interim dividend in 1991/92 was 1.7p per share.

Peter Barker: Fenner had come very close to a merger

Mr Peter Barker, chairman, would not give any further information about the recent bid approaches, but did say that Fenner had previously come "very close" to a merger that would have benefited shareholders.

The aborted merger talks, and the uncertainty over the future of the UK coal industry had been major factors in Fenner's first-half performance, where a further decline in demand had been the background to trading.

Demand from British Coal for Fenner's conveyer belting had fallen by one-third year-on year in the first half. But Mr Julian Bigden, group managing director, said Fenner had managed to offset some of the decline with increased overseas business, and had letters of intent to sell belting to the Ukraine.

In the power transmission business, UK demand had been affected severely by trading conditions, although Mr Bigden said there were signs that it was picking up. But continental European markets for power transmission products were worsening.

Fenner has cut 240 jobs in the financial year to date, reducing the total workforce to 3,800. Mr Bigden said the planned rationalisation programme was "a cleaning-up exercise" of underperforming operations which would simplify the company and increase UK profits through a further reduction in costs.

Mr Barker, who has been Fenner's chairman since 1982 and saw off the bid from Hawker-Siddeley in 1984, is retiring. Sir James Cleminson will be acting chairman until Mr Barker's successor is announced.

Northern Ireland Electricity makes £56.6m

By David Lascelles, Resources Editor

NORTHERN Ireland Electricity, the Belfast-based utility which is to be privatised next month, made an operating profit of £56.6m on turnover of £452.4m in the year to March 31, according to the pathfinder prospectus issued yesterday.

This compared with £15m on £433.5m in 1992 and £44.1m on £403.6m in 1991. But the prospectus warns that comparisons are misleading because of the restructuring of the Northern Ireland electricity industry that occurred in 1992.

Restructuring costs also accounted for the low result in 1992.

The bulk of the 1993 result came from the transmission and distribution business which contributed £49.3m.

But the company made a £5.1m loss on its appliance retailing business.

In its latest financial year, NIE paid a total dividend of £16.5m. The directors say that they intend to adopt a "progressive" dividend policy which, all being well, should produce an increase in real terms.

The pathfinder reveals that the government will be taking £70m of the £85m of cash currently in NIE's balance sheet as repayment for earlier injections into the company. The government, which will retain a special non-voting share, will also have the right to half of any capital gains on asset sales made by the company over a ten-year period.

The NIE issue, which is expected to value the company at between £300m and £400m, will be priced on June 3. Applications for shares must be in by 10am on June 16.

The basis of allocation will be announced on June 21 and dealings are expected to commence at the same time.

The government is hoping that up to two thirds of the shares will be bought by retail investors. People who register by June 1 will be entitled to one free share for every ten they hold for three years. NIE customers will have the alternative option of electricity vouchers. Over 600,000 people have registered so far.

Payment for the shares will be in two instalments, the first on application and the second on June 28 1994.

NIE is the last of the state-owned non-nuclear electricity companies to be privatised. Unlike regional companies in England and Wales, it is also in the transmission business, and it has a different regulator.

Drew Scientific placing gives £25.2m valuation

By Richard Gourlay

SHARES IN Drew Scientific, maker of diagnostic medical equipment, have been placed at 105p, valuing the company, which will begin trading next Monday, at £25.2m.

Close Brothers placed 6.99m shares – 29.1 per cent of the shares now in issue – raising £3.4m net for the company and £3.08m for existing shareholders.

Directors and their related interests hold 47.7 per cent of the enlarged capital after the issue.

Drew's main product is the Glycomat, which uses consumable micro-column liquid chromatography packs in the management and control of diabetes, one of the world's most common diseases.

The company says the technology could be adopted to help tests for kidney failure and to screen cancer.

Drew is not making a profits forecast. However, based on current production of about 40 machines a month, and the sales of the high margin consumables packs, some brokers say that at 105p, Drew is on a prospective earnings multiple of about 17.

NEWS DIGEST

Chieftain forecasts small loss

CHIEFTAIN Group, the USM -quoted supplier of specialist insulation ands fire proofing services, yesterday forecast a small loss for 1993, as a result of the receivership of Swan Hunter Shipbuilders. The shares fell 10p to 59p.

The directors said that the company was "in negotiation with various parties in an attempt to improve upon this position".

They said that the company was continuing to trade profitably and it expected to report a profit in 1994.

In 1992 pre-tax profits fell sharply from £1.06m to £613,000, reflecting pressure on margins and reduced demand. There were also delays in contract completions.

Ramco Oil placing to cut borrowings

Ramco Oil Services, the Aberdeen-based energy services company, has placed, through Greig, Middleton & Co., 800,000 new ordinary shares of 10p each with a group of US investors and a UK institution.

The shares were placed for cash at a price of 121½p, representing the mid-market quotation at close of business last Friday.

Sport stake raised in Birmingham City

Sport Newspapers, which publishes the Daily and Sunday Sport newspapers, has increased its stake in Birmingham City Football Club to 1.25m ordinary shares, equivalent to 83.3 per cent of the equity.

This follows an unconditional cash offer for the First Division club which received acceptances from 13 persons, together disposing of 15,375 shares (1 per cent).

Prior to the offer, which closed at 3pm on May 14, Sport Newspapers held 1.24m shares.

Pittencrief has over 50% of Aberdeen

Pittencrief yesterday said it had acquired further shares in Aberdeen Petroleum to bring its total holding in the company to 25,778,496 shares, approximately 50.4 per cent of Aberdeen Petroleum's issued share capital.

The price paid for the additional 766,666 shares was 17p each, Pittencrief's cash alternative offer for each Aberdeen share.

Misys unable to agree terms

Misys has terminated its talks with Burns Anderson Independent Network (BAIN) as it has not been able to agree terms.

In January, Misys announced that talks were on with a view to acquiring BAIN.

Hartlepools Water marks time

Hartlepools Water turned in pre-tax profits for the year to March 31 marginally lower at £1.22m against £1.24m for 1991-92. Turnover was a little better at £5.31m compared with £5.09m.

Mr Jeremy Ropner, chairman, said that trading conditions were difficult throughout the year, but said the outlook for the current year appeared to be a little more promising.

With a lower proportionate tax charge, earnings go up from 117p to 126p per share and the proposed final dividend is 33p (29p) to make a total of 55p (50p).

Narborough hit by exchange differences

Narborough Plantations' pre-tax tax profits fell from £176,000 to £102,000 in the six months to December 31. The culprit was the exchange rate; the difference on exchange in the first six months was a loss of £26,000 against a profit of £82,000.

An interim dividend of 0.5p (same) has been declared; pre-tax earnings were 0.76p (1.32p) per share.

17% asset rise at Baring Stratton

At March 31 1993 net asset value of Baring Stratton Investment Trust stood at 215p, a 17 per cent improvement over the 183p of 12 months earlier.

Revenue totalled £960,000 for the year, against £792,000. There was a special dividend of £120,000 from Tennants Consolidated, an unlisted investment.

Net revenue was £427,000 (£288,000) for earnings per share of 3.39p (2.28p). The dividend is raised to 2.29p (1.7p).

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FINANCIAL TIMES SURVEY

CHILE

Wednesday May 19 1993

Chile's success is equated with high growth and hefty capital gains – policymakers now seek to scale down expectations without losing investor confidence. Although the country has not yet achieved full democracy, the December elections may prove a landmark. **Leslie Crawford** reports

A watershed in economic development

NINE years of consecutive growth, topped by the best overall performance in Latin America last year, have brought Chile to a watershed in its economic development.

The country which pioneered so many of the reforms now galvanising Latin America – the export-led strategy for growth, privatisation, debt-equity swaps and private pension funds – is now confronting the limitations of its chosen model of development and the social and environmental costs of success.

Politically, too, 1993 will be a landmark. Presidential and congressional elections in December will restore the democratic succession broken by the 1973 coup which toppled the late Dr Salvador Allende.

President Patricio Aylwin, elected in 1989 after 16 years of military rule, will have thus fulfilled his main ambition: to revive Chile's democratic institutions and bequeath power to an elected successor.

Economic continuity undoubtedly played a role in Chile's smooth transition from dictatorship to democracy. But without Mr Aylwin's negotiating skills and the cohesion of his government, Chile would not be basking in the prosperity and political stability it enjoys today.

So stable is it that seven months ahead of general elections it is already a foregone conclusion that the ruling coalition, the Concertación, will form the next government and that Senator Eduardo Frei, a Christian democrat like Mr Aylwin, son of a popular statesman of the 1960s, will be Chile's next president.

The country's economic fortunes are less easy to predict.

The days of exponential export growth and huge capital gains are probably over. Finance ministry officials are predicting that Chile will feel the pain of the international recession this year.

Export revenues are expected to grow by a "modest" (in Chilean terms) 7 per cent in 1993 to about $10.6bn, compared with almost 12 per cent in 1992. Traditional exports – copper, fish meal and cellulose – are being hit by a slump in international commodity prices.

The global downturn has affected Chile's cellulose producers in particular; they had recently invested more than $1.5bn in new state-of-the-art pulp mills. Most of the mills are currently operating at a loss. Further expansion plans have been shelved.

The $1bn-a-year fresh fruit business, where exports have doubled since 1987, is facing trade barriers in Europe and stiff competition from other southern hemisphere producers such as Argentina, New Zealand and South Africa.

Fedefruta, the fruit growers association, says it is exporting apples and kiwi fruit to the European Community this year at a "suicidal loss". It has called for a halt in shipments.

The most dynamic area of export growth – an eclectic mix of manufactured goods and new products such as jeans, shoes, wine, fresh salmon and exotic flowers – is finding competition harder as a result of a 12 per cent revaluation of the peso since 1990.

There are signs that exporters are already adapting to the tougher international environment by introducing new technologies and paring down costs.

Santiago: 1993 will be a landmark. Presidential and congressional polls in December will restore the democratic succession broken by the 1973 coup

Mr Joaquin Vial, chief economist at the finance ministry, says that much of the 30 per cent increase in private sector investment last year went into modernising plants and improving productivity.

Despite the diversification of Chile's exports, the global recession has exposed the vulnerability of the export-led model of growth. Exports now account for almost 30 per cent of GDP, but more than 70 per cent of foreign earnings are still commodity-based, and sensitive to the vagaries of international prices.

Economists, however, see no alternative course for small countries such as Chile. "We either pursue export-led growth or no growth at all," says Mr Vial. This explains the importance Chile attaches to trade liberalisation, whether through multilateral forums such as the General Agreement on Tariffs and Trade, or bilateral agreements. Chile has signed free trade accords (FTAs) with Mexico and Venezuela, and hopes free trade negotiations might soon begin with the US, its biggest trading partner.

"An FTA with the US would be our insurance policy against trade wars if the international environment deteriorates," argues Mr Vial.

Following last year's 10.4 per cent growth in GDP, which now borders $40bn, Chile's autonomous central bank is planning a soft landing for the economy. "Such exceptional rates of growth are not sustainable over time," says Mr Roberto Zahler, the bank's president.

But shifting economic gear will require an important change in Chilean business culture. Bankers and entrepreneurs have grown accustomed to annual 30 per cent returns and more on assets. Stock prices in 1991 more than doubled in value.

Santiago's wealthy suburbs are sprouting luxury condominiums and crawling with expensive imported cars. Yuppies are alive and well in Chile.

In the minds of Chile's business elite, success is equated with high growth rates and hefty capital gains.

This creates a problem for Chile's policy makers, who must now try to scale down expectations without provoking a loss of investor confidence. The central bank's president has scolded Chileans for being manic-depressives: a good economic year caused euphoria and self-adulation, but a single poor indicator was enough to plunge the entire establishment into terminal depression. He called for a more realistic assessment of Chile's strengths and shortcomings.

The strengths arise from a consensus, now deeply ingrained in Chilean society, on economic fundamentals: the need to preserve macro-economic balances, to curb inflation, to keep government spending in check.

The most heated discussions revolve around regulation, environmental protection and how to alleviate the poverty that still engulfs 4m Chileans – one third of the population. Chile should have a new capital markets law before the end of the year. Mr Alejandro Foxley, the finance minister, calls it the "deepest and most complete reform to the domestic capital markets" since the early 1980s.

The law, which will widen the investment horizons of Chile's private pension funds and insurance companies, also includes tighter rules to prevent insider trading and other conflicts of interest. These provisions are hotly opposed by the financial community. Bankers are protesting against what they perceive as excessive regulation and the government's reluctance to sanction new lines of business – such as foreign branches, pension management and life insurance.

Environmental issues are also climbing up the political agenda as the Aylwin administration makes incipient attempts to protect natural resources from excessive exploitation. The challenge here is not implementing legislation, but enforcing it.

Conaf, the forestry commission, says it would need an army to police Chile's 7m hectares of virgin forests against the predatory action of woodchippers (exports up 38 per cent last year to 3m tonnes). Fishing fleets resent the frequent bans imposed to safeguard stocks. Mining smelters are only now being forced to implement clean-up plans, and Santiago's reviled buses prefer to go on strike rather than convert to cleaner fuels.

Poverty alleviation has been a main concern of President Aylwin's government. Tax reforms in 1990 raised an extra $800m in fiscal revenues to finance social projects: low-cost housing, health clinics, primary schools. Real wages have risen by 12 per cent since 1990 – and the minimum wage by 36 per cent in real terms. Pensions and family benefits have been improved.

The government's social programmes, however, are in jeopardy. Mr Foxley has warned congressmen that if the present tax regime is not upheld, the unpopular task of cutting $800m of social expenditure from the 1994 budget will be their responsibility.

There will be other political battles this year. Government attempts to reform the judiciary are far behind schedule. The judiciary is arguably the weakest link in Chile's new democracy – a Byzantine institution tainted by corruption and negligence in the defence of human rights. The government wants to dilute the power of Pinochet appointees to the supreme court by expanding the number of chief justices. It has also promised more resources and better pay to overworked magistrates, some of whom handle upwards of 5,000 cases at a time.

Still pending are the length of the next presidential term – eight years if the constitution is not changed – and the electoral system, which heavily over-represents the right-wing opposition. The government has linked the two reforms in congressional debates.

The government failed earlier this year to get an important package of constitutional reforms through congress. One important change would have abolished the nine non-elected senate seats (these senators were chosen by General Pinochet before he stepped down, to deprive the Concertación of a majority in the upper house); another reform would have devolved the president's power to sack commanders-in-chief of the armed forces.

The reforms failed because they struck at the heart of General Pinochet's political legacy. And while the Concertación is committed to getting rid of the authoritarian fetters written into the military's 1980 constitution, the right defends the charter as Pinochet's proudest achievement.

General Pinochet's power is also felt in the long arm of military courts (these can prosecute civilians for "offences against the armed forces", a crime as broad as it is vague), and in the impunity army officers enjoy against the human rights violations of the dictatorship. "We are far from having a full democracy," President Aylwin admits, reviewing his three years in office.

But however far from perfect, Mr Aylwin's tactful handling of the armed forces has eliminated the threat of another military coup. It will be the task of the next political generation to heal the wounds of the past.

THE ECONOMY

Soft landing is planned for this year

ON A recent visit to Santiago, Mr Hans Tietmeyer, vice-president of the Bundesbank, thought his Chilean hosts had misplaced the decimal point in their economic statistics.

GDP growth of 10.4 per cent in 1992? Private-sector investment up by 30 per cent? A 12 per cent increase in export revenues? Surely this was not possible in a global recession.

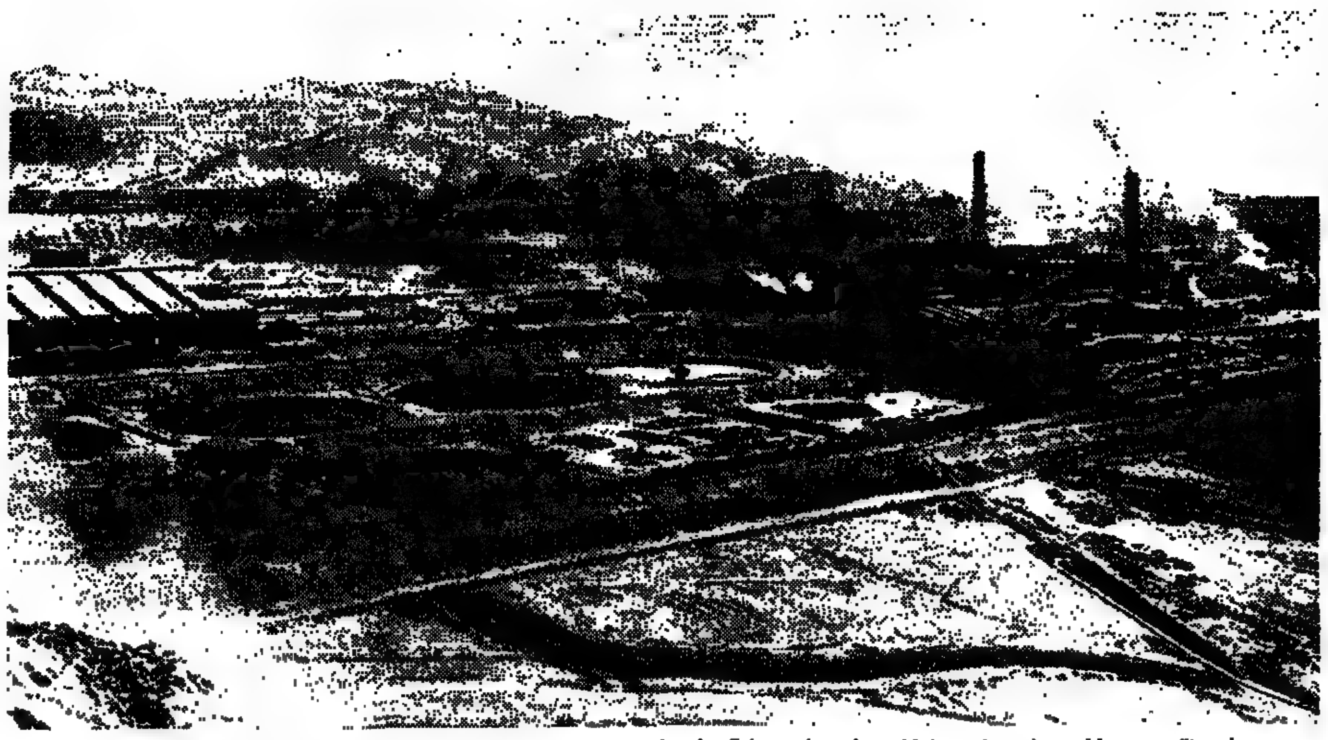
As Mr Tietmeyer was soon to discover, 1992 was Chile's best economic year in three decades. Growth was spurred by unprecedented investment outlays in Chile's export industries, a construction boom in Santiago, and government infrastructure projects. The country's gross domestic product is approaching $40bn, while per capita income reached $3,000 last year.

Fiscal discipline allowed the government to match record levels of economic growth with falling inflation. In three years, finance minister Alejandro Foxley's firm grip on the purse-strings of the treasury has doubled the government savings rate to 5.6 per cent of GDP.

Over the same period, the annual rate of inflation dropped from almost 30 per cent to 12.7 per cent at the end of 1992. Like Mr Tietmeyer Mr Roberto Zahler, president of Chile's autonomous central bank, distrusts double digits. "The economy last year was not overheated, but such exceptional rates of growth are not sustainable over time," he explains.

Mr Zahler aims to engineer a soft landing for the Chilean economy this year. Interest-rate increases in the second half of 1992 and a slowdown in Chile's export sector should moderate economic growth to an optimal 5 to 6 per cent in 1993, according to central bank forecasts. Meanwhile, the strong investment momentum generated by the private and public sectors should lay the foundation for future growth.

The most important change Chile will see this year is in its external accounts. Imports are growing at twice the rate of exports. This will probably wipe out the trade surplus this year and widen the current account deficit to around $1.5bn, or 4 per cent of GDP.



Chuquicamata copper refinery: Chile's traditional exports – copper, fishmeal and cellulose – have been hit by a slump in world commodity prices

Economists, however, are not alarmed by the 25 per cent rise in imports. "Most imports are going into real bricks-and-mortar investments," says Mr Armen Kouyoumdjian, a business consultant. "And with $10bn in foreign exchange reserves, there is no danger of a balance of payments crisis." In addition, foreign direct investment, concentrated mainly in the mining sector, continues to flow into Chile, to the tune of $1bn a year.

However, there are signs that the Chilean economy, as it approaches full capacity and near full employment, will have to adjust to lower rates of growth.

"Chile will feel the pain of the international recession this year," predicts Mr Joaquin Vial, chief economist at the finance ministry. The country's traditional exports – copper, fishmeal and cellulose – have been hit by a slump in world commodity prices, while the appreciation of the Chilean peso is hurting the $1bn-a-year fruit industry and the dynamic non-traditional exports – jeans and shoes, biotechnology, wine from the Central Valley, and fresh salmon from the southern Lake District.

Most economists predict that export revenues will rise by 7 per cent at most in 1993, to about $10.6bn, compared with growth rates of 12 per cent and above over the past five years.

The other question-mark hanging over economic policy is whether Chile's monetary authorities have any leeway to further reduce inflation. Last year, it was curbed by five points to 12.7 per cent, thanks to a hefty revaluation of the peso, interest-rate hikes and fiscal austerity. This year, the central bank's target is to trim the figure to 11 per cent.

But even this modest reduction seems ambitious, given the widespread indexation of the economy, growing wage pressures, and the central bank's reluctance to hurt exports with a further revaluation. In addition, this is an election year, and, despite vigorous denials, the government may be sorely tempted to relax the reins on government spending.

Against this backdrop, Mr Foxley's greatest battle this year will be to persuade Congress to maintain the present levels of taxation. When President Aylwin took office in 1990, Congress approved tax increases for a four-year period to finance greater social spending. The tax reforms expire at the end of 1993, and Chile's vociferous business community is lobbying for a return to the pre-1990 corporate tax rate of 10 per cent, against 15 per cent at present.

Mr Foxley argues that to lower taxes now would unleash dangerous inflationary pressures on the economy. It would also deprive the government of an estimated $800m in annual revenues. If the right-wing opposition blocks an extension of the current tax rates, Mr Foxley has warned congressmen that the unpopular task of axeing social programmes from the budget will rest on their shoulders.

Leslie Crawford

KEY FACTS

Area	756,946 sq km
Population	13.4 million (1992 estimate)
Head of State	President Patricio Aylwin
Currency	Peso (PS)
Average Exchange Rate	1991 $1 = PS349.4
	1992 $1 = PS362.6

ECONOMY	1991	1992
Total GDP ($bn)	31.3	38.1
Real GDP growth (%)	6.0	10.4
GDP per capita ($)	2,338	2,840
Components of GDP (%)		
Private Consumption	66.7	
Total Investment	18.8	
Government Consumption	9.6	n.a.
Exports	35.6	
Imports	-30.9	
Consumer prices (% change pa)	21.7	15.4
Copper Production: (% change pa)	15.4	5.9
Reserves minus gold: ($bn, year end)	7.0	9.2
M1 growth (% pa)	51.5	28.6*
Deposit rate: (% pa, avg)	22.3	18.3
Current Account Balance: ($bn)	0.1	-0.6
Exports ($bn)	8.9	10.0
Imports ($bn)	7.3	9.3
Trade Balance ($bn)	1.6	0.7
Total external debt ($bn)	17.4	18.4
Debt service ratio (%)	21.5	15.4
Main Trading Partners: (1991, % by value)	Exports	Imports
Japan	18.1	8.4
USA	17.6	20.6
Germany	7.8	6.5
Brazil	4.9	9.1

Notes: * = Q3 figure
Sources: IMF, World Bank, Datastream, Economist Intelligence Unit

Nafta membership remains a goal, reports **Ken Warn**

A diversified trade pattern

MR Bill Clinton's US presidential election victory last November produced political tremors in Santiago. Chile had put a lot into its relationship with President George Bush, who promised in May 1992 to negotiate a free trade agreement with Santiago upon successful conclusion of the Nafta talks between the US, Mexico and Canada.

There were widespread fears that an incoming Clinton administration, pledged to focus on domestic issues, would turn its back on Latin America or even pursue a more protectionist line with its neighbours. Gains for Chile from Mr Bush's 1990 Enterprise for the Americas Initiative, covering debt, trade and investment, could be at risk.

In the event President Clinton reaffirmed his predecessor's stance on Chile, while Mr Ron Brown, the commerce secretary, said in April he hoped that the Nafta would be the "first building block" of a hemisphere-wide free trade deal.

However, amid the sighs of relief, the government has been at pains to cool hopes of rapid progress towards an FTA. "Chile has a very diversified composition of trade, about one third to Europe, one third to the US and one third to Asia," says Mr Alejandro Foxley, the finance minister. "So in the short and medium term, an FTA is not really essential to our trade strategy. We will pursue an FTA with the US without any sense of urgency, but with determination," he adds.

Even if a deal is reached, it is unlikely to lead to a dramatic increase in trade with the US, already the country's biggest trading partner. Chile has relatively low barriers to imports, with a uniform tariff rate of 11 per cent for most produce, and a welcoming attitude to foreign investment.

However, an agreement would reassure investors and act as an insurance policy against a drift towards a more protectionist stance by Washington.

The government likes to emphasise that the costs to the US of a deal with the small Chilean economy would be minimal. But it would not necessarily be painless for Chile.

One of the biggest obstacles for Washington to a trade agreement is Chile's protected agriculture sector. Wheat, vegetable oils and sugar imports are levied with duties aimed at maintaining a minimum domestic price for local producers.

Local producers want to have price banding extended to a larger number of staples

"Bread and sugar are twice the price they should be," said a US diplomat in Santiago. "This is a subsidy borne on the backs of the poor. The US could sell $100m of wheat to Chile if it liberalised in this area." However, local producers are pressing to have the price banding extended to a larger number of staples.

The system also reduces the force of Chile's complaints about European Community trade barriers – fruit growers face an average 18 per cent duty on exports to the EC and a bumper European apple crop has produced curbs on Chilean apple sales.

Nonetheless, Chile's government has lambasted the EC, especially France and Germany, for foot-dragging on farm trade in the General Agreement on Tariff and Trade talks.

The timetable for talks with the US is undefined, but agreement is unlikely this year, with the Nafta talks continuing. In the meantime, Chile has been vigorously pursuing bilateral agreements with its more like-minded neighbours. This April Chile signed a free trade pact with Venezuela aimed at eliminating import tariffs on 90 per cent of goods by January 1997.

A similar deal signed with Mexico in September 1991 produced an 80 per cent increase in Chilean exports to Mexico last year, to about $80m. Negotiations with Colombia are "well advanced," says Mr Joaquin Vial, chief economist at the finance ministry.

"Most of Chile's export growth in the past two years has come from Latin America," Mr Vial says. However, the government has fought shy of joining any of the region's emerging trade blocks, such as Mercosur, which groups Brazil, Argentina, Uruguay and Paraguay.

"The experience with broader integration has not been so good," says Mr Vial. "There is still too much instability in the economies of the Mercosur countries, particularly Brazil."

BANKING

Regulation inhibits ambition

CHILE'S banks are not short of ambition. Some in the industry are pressing for the lifting of curbs on their domestic and international activities, with the aim of becoming a regional banking centre on the Swiss model.

Whether the government will allow the banks to fulfil these ambitions is another question – not least because the central bank is still left with a tab of almost $4bn from bailing out the banking system a decade ago.

Chile's banks feel they are at a disadvantage in the region, because of the restrictions that banking regulators place on their ownership of other companies, and on the setting up of branches and issuing of loans abroad.

"Our natural sphere of influence is Latin America," says Mr Hernan Sommerville, vice-chairman of the Chilean Association of Banks. "We want to go international. But we are allowing other banks in the region to position themselves at our expense. Every day that goes by is a wasted day," he adds.

"The crisis of the 1980s has made our regulators cautious. But we came out of that crisis with a very solid banking system. If Chilectra and other industrial companies can buy companies in Argentina, then why can't we?" asks Mr Sommerville.

On the domestic side, the banks want a share of the lucrative pensions and insurance businesses, and to undertake activities such as factoring and securitisation. Banks are allowed to sell pensions and insurance only through subsidiaries. The real prize for them would be the freedom to sell such products directly through their extensive branch networks.

The banks are also facing challenges from other financial institutions on their own turf, with customers able to open savings accounts through the pension funds.

The majority of Chile's 14 domestic banks, including the two biggest, Banco de Chile and Banco de Santiago, are still indebted to the central bank. Imprudent lending, particularly complex networks of inter-group loans, pushed the financial system over the brink in 1983.

The central bank was forced to assume the banks' non-performing loans as the price for keeping it going.

Debtor banks are now constrained to hand over 70 per cent of after-tax profits to pay off this so-called subordinated debt, which produced a total payment to the central bank of about $209m last year.

Chile's banks, which experienced decreasing profitability after posting strong gains from non-operational activities such as debt-equity swaps in the late 1980s, bounced back last year

"The present situation on the subordinated debt creates a disincentive to make profits," said a Santiago diplomat. "If a bank has to hand over most of its profits to the central bank, then it's tempting to find something else to do with the money – such as building a state-of-the-art executive gym. At present payment rates, some banks may never clear their debts."

The central bank is also left bearing the bulk of the risk of indebted banks.

The quandary for the government is: Should it allow banks to widen their field of activities while the subordinated debt issue is unresolved? Or should it use the prospect of liberalisation to pressure banks on the debt?

In an election year with a busy legislative timetable, it may prove tempting to leave the dilemma for the next administration. "An initiative to deal with the subordinated debt is really just waiting on political backing," says Mr Joaquin Vial, chief economist at the finance ministry.

Chile's banks, which experienced decreasing profitability after posting strong gains from non-operational activities such as debt-equity swaps in the late 1980s, bounced back last year. Net profits, after payment of subordinated debt obligations, grew by 23 per cent in real terms to 94bn pesos ($250m). Consumer loan business was particularly strong, growing at a rate of 50 per cent.

With figures like these, it is hard to argue that the health of the system is at risk unless the banks are freed from their shackles.

"Other banks can grow, so the financing needs of the country can be met," says Mr Daniel Tapia, adviser to the board of Banco BICE, a small boutique bank which did not sell its debt on to the central bank. "The system is working so that I don't see why we can't go on like this for the next 50 years."

One suggestion is for healthy banks to take over the indebted ones in exchange for writedowns. Some banks may already be positioning themselves to benefit from such an outcome.

In March this year, Banco O'Higgins, a small bank which has cleared its obligations to the central bank, merged with Banco CentroHispano, the Chilean subsidiary of Banco Central Hispanoamericano of Spain, to create Chile's third-largest banking group, with share capital of $140m.

Banco O'Higgins is controlled by the Luksic group, a Chilean holding company owned by businessman Mr Andronico Luksic, which in turn owns 20 per cent of Banco de Santiago, the second-biggest bank.

An initiative on the subordinated debt problem could set the stage for a further merger. But in the meantime Banco O'Higgins benefits from economies of scale – the combined operation is expected to reduce its total workforce by 15-20 per cent to around 2,000. It can also take advantage of its new partner's links with Argentina, Paraguay and Brazil, and its presence in the domestic pensions and insurance business.

Chilean banks may find further consolidation a way of attaining at least some of their goals, even if more liberal banking laws and a subordinated debt initiative have to wait.

Ken Warn

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Mining plays a crucial role, writes Leslie Crawford

Welcoming magnet for multinationals

Enormous mineral resources, a welcoming foreign investment regime and sound macroeconomic fundamentals have transformed Chile into a magnet for mining multinationals.

The foreign companies flocking to Chile reads like a Who's Who of the mining world: Anglo-American, Bema Gold, BHP, Chevron, Cominco – and all the way down the alphabet to RTZ and Shell/Billiton. The Chilean Copper Commission, Cochilco, estimates that $5bn worth of investment will be channelled into the mining sector to explore, develop or expand projects.

Nowhere else in the world are there so many projects so close to fruition. Chile is the world's leading copper producer: about $4bn of this foreign investment is being channelled into new copper mines. The country has one-quarter of the world's known copper reserves.

Some $560m in gold projects will move Chile up the ladder of the world's top 10 gold producers. A further $405m is being invested in non-metallics such as iodine and nitrates.

Chile's mining sector plays a crucial role in its economy, accounting for almost half of exports and 15 per cent of GDP. According to some estimates, mining production will increase more than 50 per cent by the year 2000. High ore grades at new mines mean that Chile will also continue to be one of the world's lowest cost producers. One estimate by Cochilco puts copper production rising from 1.94m tonnes last year to 2.18m tonnes in 1994.

The mining boom has been several years in the making. General Pinochet, who ruled Chile between 1973 and 1990, wooed back mining multinationals with a liberal foreign investment regime and a mining code which grants property rights over mining concessions. The return of democracy in 1990 did not upset this vigorous activity, as the new government decided to keep the mining and investment codes intact.

More than half of Chile's copper is mined by Codelco, the state-owned Chilean Copper Corporation. But Codelco's four mines, including Chuquicamata, the world's largest, are old. Production is in decline, operating costs are rising, and the powerful Copper Workers' Union, with 19,000 members, has blocked management plans to reduce over-manning.

Nevertheless, Codelco has a plan to reverse its dwindling fortunes. Voluntary redundancies and a crackdown on absenteeism increased labour productivity by 6 per cent last year, according to Mr

Earlier this year, Codelco invited 20 mining companies to bid for the exploration rights to four of its mining prospects

Jorge Bande, Codelco's vice-president for development. The state concern has also launched an exploration drive to find new reserves.

An important breakthrough for Codelco came with the approval of a new law in 1992, authorising the state company to form joint ventures with the private sector. Earlier this year, Codelco invited 20 mining companies to bid for the exploration rights to four of its mining prospects. The idea, says Mr Bande, is to allow Codelco to share the risk of exploration. He expects the first joint-venture agreements to be concluded about the middle of the year.

Codelco owns one-third of the registered mining property in Chile. Investment, however, has been limited by budget constraints dictated by the finance ministry. Mr Bande sees the joint ventures as a way of tapping the huge mineral potential that Codelco is unable to develop on its own.

Choquelimpie gold mine: Some $560m in gold projects will move Chile up the ladder of the world's top 10 gold producers

In addition, Codelco has completed the basic engineering for Radomiro Tomic, a huge ore body discovered near Chuquicamata. The new mine is scheduled to enter production in 1995. Radomiro Tomic will be a test case for the state-owned copper company. It is the first mine that Codelco is developing from scratch, and the challenge will be to produce copper as cheaply and efficiently as the private sector.

Mr Bande says Codelco is in the process of getting the final financial approval for Radomiro Tomic, which will require an investment of $450m. Once it is up and running, the mine will add 150,000 tonnes of copper to the 1.15m tonnes produced by Codelco's other divisions.

Most of Chile's increased copper output, however, will come from private sector projects. Leading the wave of foreign investment, La Escondida – the richest copper deposit in the world – entered production in December 1990. La Escondida is jointly owned by BHP of Australia, RTZ and a consortium of Japanese smelters led by Mitsubishi. The $900m project was completed six months ahead of schedule – a tribute to the engineering and organisational skills of the mainly Chilean contractors.

The mine, located in the Atacama desert, last year exported about 760,000 tonnes of copper concentrates (a semi-refined product equivalent to about 320,000 tonnes of refines copper), making it the second-biggest copper operation in the world. The company is studying plans to increase production by a further 80,000 tonnes – the output of a medium-sized mine – by 1994. It is testing a method to process the extra tonnage into pure copper cathodes, using a new technique which does not require smelting.

Exxon Minerals, of the US, is close to completing a $400m expansion programme at its Los Bronces copper mine which will double production to 200,000 tonnes a year.

Cominco of Canada recently

Minorco, an investment company owned by Anglo-American of South Africa, paid the record price to enter a copper project

wrapped up the $250m financing to develop its Quebrada Blanca copper deposit in the Atacama desert. It expects the mine will enter into production in 1994 with an output of 75,000 tonnes a year.

Phelps Dodge of the US is expanding its Ojos del Salado mine and plans to develop a deposit known as La Candelaria, already being dubbed Chile's new Escondida.

Outokumpu of Finland recently sold half of its Zaldivar copper deposit to Placer Dome for $100m. The Canadian resources group also agreed to finance up to $400m towards the cost of development.

Minorco, an investment company owned by Anglo-American of South Africa, paid the record price to enter a copper project last year. Minorco shelled out $190m to buy Chevron's (the US oil group) stake in Collahuasi, a copper deposit high up in the Andes, now owned in equal shares by Minorco, Royal Dutch/Shell and Falconbridge. Minorco estimates Collahuasi's start-up date will be 1996-97.

The huge sums being paid by multinationals for a share of Chile's mining bonanza reflects the country's growing reputation as a safe-haven for foreign investment. "The risk factor is not there," says one diplomat in Santiago. "Companies are prepared to pay top dollars for good mining projects."

A comparative example: in Peru, Anglo-American's Chilean subsidiary Mantos Blancos recently acquired the rich Quellaveco copper deposit from state-owned Minero-Peru for $12m. The huge price differential between Quellaveco and Collahuasi, for roughly the same amount of copper reserves, reflects the penalty Peru is still paying for its political instability.

The wealth of mining projects, concentrated mainly in Chile's desert north, is putting a strain on the country's underdeveloped infrastructure. Finding water in the driest desert in the world is as much a priority as striking a rich mineral deposit. Electricity is also in short supply. Port facilities are deficient.

La Escondida chose to build its own port, rather than compete with Codelco for Antofagasta's over-stretched docks. Phelps Dodge, which wants to ship La Candelaria's copper concentrates from the small port of Caldera, is encountering opposition from local fishermen. They fear the loading operation will pollute the bay.

Environmental awareness is growing in Chile, and the clash between Phelps Dodge and the fishermen of Caldera is by no means an isolated example.

Local farming and fishing communities have recently won important legal victories against the polluting activities of mining operations. The government has begun enforcing stricter air and water pollution controls. Several companies, including Codelco, are now investing millions of dollars to clean up their act.

Ken Warn discusses reasons for the fall in fruit exports

World glut hits kiwi-growers

Santiago market: Fruit exports, which constitute about a tenth of Chile's exports, slipped 2.3 per cent in the first 11 months of last year Picture: Ken Warn

THE OUTLOOK for Chilean fruit exports has become less sunny after a decade of spectacular growth. Rising protectionist sentiment and the emergence of new competitors have combined with last year's strong peso and lower international prices to place unaccustomed pressures on the industry.

The European Community has moved to curb imports of apples following a good growing season. In addition, tumbling prices for kiwi-fruit, due to a worldwide glut, have hit Chilean growers hard. Fruit exports, which constitute about a tenth of Chile's exports, slipped 2.3 per cent to $938m in the first 11 months of last year, according to the Central Bank.

By volume, fruit exports from September 1992 to March 18 this year grew a modest 2 per cent, compared with the same period of the previous season, according to the Chilean Exporters Association. Shipments to the EC fell 10.1 per cent, hit by the introduction of a licensing system in February aimed at protecting European apple growers.

While the problems over apples may prove a short-lived result of the good European season, the difficulties of Chile's kiwi-fruit growers are more intractable. "The market cannot consume all the kiwi-fruit being produced. This is now a world problem," says Mr Ricardo Ariztia, president of the Federation of Chilean Fruit Producers (Fedefruta).

South Africa shares the same growing season as Chile, as do emerging competitors elsewhere in Latin America, such as Argentina and Brazil

Of the major producers – Chile, New Zealand, Italy and the US – one country will lose out heavily, according to Mr Ariztia. "New Zealand and Chile is the big commercial fight. Some of our kiwi growers will undoubtedly go out of business," he says. Chile has planted about 12,000 hectares with kiwis.

South Africa's re-emergence in international markets has added to these woes. The country shares the same growing season as Chile, as do emerging competitors elsewhere in Latin America, such as Argentina and Brazil. "Last year we lost out in the German market competing against South African fruit," says Mr Ariztia.

He cites South Africa's high quality control and standardised packaging as posing the biggest threat to Chilean growers.

Argentina, according to Mr Armen Kouyoumdjian, an independent economic consultant, "is a sleeping giant. When it gets its act together it could compete very effectively against Chilean fruitgrowers."

These challenges take place against a background of continuing tensions between Chile's exporters – dominated by multinational companies – and the growers, often small, under-capitalised operators. The biggest bone of contention is the "free consignment" market system, under which growers hand over their produce to the exporters, not knowing what price they will eventually get after the fruit is sold on.

"We believe the final price we receive can be improved," says Mr Ariztia.

Some growers have started to export direct, so far with very modest amounts of fruit, to circumvent the exporter companies. In turn, the multinationals have been buying agricultural land themselves in a bid to integrate their operations.

Yet, in the face of these internal tensions and mounting external compeition, the mood in the industry remains optimistic, if concerned. "The market for Chilean fruit is not saturated," says Mr Ronald Bown, president of the Chilean Exporters Association. "This is a special year and we expect to overcome many of the problems that are facing us."

Both growers and exporters are seeking to move to a mandatory system of quality control and to standardise packaging and box sizes. Almost all Chile's major fruit export companies have their own quality certification units. About 70 per cent of exports are self-inspected with only the remainder looked at by third parties.

"We must work very fast on these issues. But I hope we can reach agreement on mandatory quality control and packaging standardisation with the exporters by next season," says Mr Ariztia.

The industry is also boosting its promotional activities. The exporters have earmarked $3m for promotion in Europe in 1994, and are working on a long-term marketing plan for the US. "The EC and the US are still the most promising markets for us and will probably remain so for around the next 10 years," says Mr Bown.

Fruit and vegetable exports to Latin America soared 48 per cent in the growing season to mid-March, from an admitedly low base, helped by a free-trade agreement with Mexico. A similar agreement with Venezuela at the beginning of April and a planned deal with Colombia should also help develop this market.

Longer term, Chile is hoping for great things from Asia. The exporters association is looking for a way into the coveted Japanese market, with its strict quarantine rules against agricultural imports, and expects to enter the Korean market in the next four to five years.

"We have to work with imagination and intelligence – exporters, growers and government together," says Mr Ariztia. "The industry is not going to grow at 10 per cent a year any more, but we still have a big contribution to make to this country."

CAPITAL MARKETS

'Big bang' to widen options

Santiago stock exchange: welcomed proposals

The Chilean right is fond of portraying Mr Alejandro Foxley, the finance minister, as a mere administrator of the fruits of General Pinochet's economic miracle.

But before the end of the year, Mr Foxley hopes to have left his mark as an innovator, with a new law aimed at implementing "the deepest and most complete reform to the domestic capital markets" since the early 1980s.

His "big bang" will widen the investment options open to private pension funds and insurance companies. Since Chile reformed its social security system in 1981 – introducing a compulsory savings scheme, managed by private companies known as *Administradoras de Fondos de Pensiones* (AFPs) – pension funds have become the biggest institutional investors in Chile. They now manage almost $13bn of funds, equivalent to one third of gross domestic product.

The draft bill, sent to Congress in January, is long overdue. AFPs have been complaining since the late 1980s of the dearth of investment options in Chile, as they are accruing much faster than they are paying out benefits.

Under the proposed legislation, AFPs will be able to diversify their equity portfolios and invest in new instruments, such as securitised bonds and closed-end entrepreneurial development funds. The government hopes the latter will be a source of long-term capital to small and medium-sized businesses.

AFPs will be allowed to invest up to 10 per cent of their portfolios in shares, corporate bonds and gilt-edged securities abroad.

Although AFPs were authorised to invest in a more restricted number of foreign instruments last year, they have yet to dip their toes into the international capital markets. They are adopting a cautious "let's study all the options" approach, much to the chagrin of the legions of foreign investment bankers currently touting for business in Santiago.

Mr Foxley says the reforms are imperative, in order to spread risk and ensure better long-term returns for Chile's 12-year-old private pension fund system. Both the government and the pension fund managers expressed concern last year over the growing concentration of AFP equity portfolios in a limited number of privatised utilities. Almost half of these investments are held in electricity and telephone companies, some of which performed poorly in 1992 and depressed the overall returns on AFP investments.

The reforms have called on some elements of US trustee legislation to introduce revenue bonds for the finance of large infrastructure projects. Under this scheme, the money raised by bond issuers is managed by a trustee who disburses funds as the project develops.

The finance ministry sees revenue bonds as an important vehicle for substituting foreign finance for big projects, particularly now that the country is pushing to upgrade roads, ports, irrigation, telecommunications and power generation.

Insurance companies, which manage about $3bn of funds, will be allowed to invest up to 15 per cent of their funds in foreign equity and bonds and in the derivatives markets at home and abroad.

While the stock market and Chile's 19 AFPs broadly welcome the proposed reforms, they are bitterly opposed to parts of the law that will tighten regulation on the thorny question of insider trading and other potential conflicts of interest. The controversy is bogging down discussions in the Senate.

In essence, investment managers, be they mutual funds, AFPs, stockbrokers or insurance companies, will be required the keep their own investments separate from the portfolios of their clients – a rare practice to date and a state of affairs that has caused Chile's securities watchdog many headaches.

The second issue – the handling of "privileged" or insider information – is a much trickier question, given the close-knit nature of Chile's small business community. The government wants to oblige AFPs to appoint a certain number of independent directors to their boards, men who have no financial interest in the companies AFPs invest in. At present, it is quite common for company directors to wear several hats at once.

"Even if the government succeeds in tightening regulations," says Mr Mario Lobo, an investment analyst in Santiago, "loopholes will inevitably persist until the business community itself accepts that the use of privileged information is unfair practice."

The proposed reforms have already galvanised the capital markets in Chile. Santiago's stock exchange rallied by 16 per cent in January, when the bill was sent to Congress. Trading was unusually heavy in second-tier stocks that might soon become eligible for the enlarged portfolios of AFPs. Santiago has also seen a spate of initial public offerings, which will give the stock market more depth and liquidity.

Social security reforms elsewhere in Latin America, modelled broadly on the Chilean AFP system, are also tempting Chilean pension fund management companies to venture abroad. Six Chilean AFPs are setting up subsidiaries in Peru, where private pension schemes were introduced this month. Another four AFPs plan to establish themselves in Argentina.

Leslie Crawford

Leslie Crawford profiles Alejandro Foxley, finance minister

Plain talk has won respect

MR Alejandro Foxley, the Chilean finance minister, embodies the change in economic thinking that has put Latin America on a new course of development after the "lost decade" of the 1980s.

Once a fierce critic of General Augusto Pinochet's free-market policies, Mr Foxley came to accept the benefits of an open economy and a reduced role for the state. He faced a difficult balancing act when he took over the finance ministry in March 1990, on Chile's return to democracy.

The business community was nervous of the new government, a coalition of Christian Democrats and Socialists. The political transition had also raised expectations among the mass of Chile's poor and middle-classes, who had suffered great hardship under military rule. "Our main economic challenge was also an ethical one: how to balance economic development with a greater degree of social equality," he says.

But Mr Foxley also had to prove that democratic governments in Latin America could avoid populist traps and be responsible economic managers. His *leitmotif* since assuming the finance portfolio has been to pursue a "conservative fiscal policy with progressive ends." One of Mr Foxley's first acts was to push a tax package through the congress that raised corporate taxes from 10 to 15 per cent, and the sales tax by two points, to 18 per cent.

The extra $1bn in revenues was earmarked for social spending. Pensions and family benefits were increased; state subsidies for low-cost housing were extended; and teachers and health workers got more pay. In spite of this, Mr Foxley faced a rash of public sector strikes in 1991.

He refused to bow to wage demands. He has been equally firm with Chile's business leaders; he once told them to "stop whining" when they complained about high interest rates and the appreciating peso.

He helped to found Cieplan, an economic think tank with Christian Democratic leanings

Mr Foxley's detractors accuse him of arrogance, and say he takes criticism badly. But his plain talking has also won much respect for the 53-year-old finance minister. He is acknowledged as a heavyweight in President Patricio Aylwin's cabinet. If the ruling coalition wins the December 1993 elections, it will be largely as a result of the steady economic course charted by Mr Foxley. He is tipped to become Chile's next foreign minister, but many of his supporters believe he may want to make a bid for the leadership of the Christian Democratic party, to launch his presidential candidacy in 1997.

An economist by training, with a doctorate from the University of Wisconsin in the US, Mr Foxley cut his political teeth during General Pinochet's dictatorship. Like most academics who advocated the restoration of democracy, Mr Foxley was banned from teaching at state universities, and was subjected to police harassment, isolation and censorship. His house was broken into several times and death threats were left inside his passport.

Together with other banned academics, he founded Cieplan, an economic think tank with Christian Democratic leanings. When General Pinochet gave way to contested elections in 1989, Mr Foxley joined Mr Aylwin's presidential campaign.

By then he was convinced that retaining the broad lines of the military's economic policies was the key to a smooth political transition. He was rewarded with the finance portfolio.

Mr Foxley is also earning a reputation abroad as a leading exponent of the importance of free trade for developing countries. He chaired the IMF/World Bank's development committee between 1990 and 1992, from which position he reminded industrialised nations of the need to dismantle protectionist barriers.

With much of Latin America betting on an export-led model of development, he argues, access to foreign markets has become much more important than aid, soft loans or debt-relief. "The absence of further liberalisation in industrialised nations means that middle-income countries like Chile are losing a unique opportunity to expand their exports," Mr Foxley says.

The politico-military relationship

Pinochet's influence lingers on

They say that old soldiers never die. In General Pinochet's case, neither is he prepared to fade away.

Chile's former dictator, now 77 and fitted with a pacemaker, granted himself the constitutional right to head the army until 1998. He has not expressed any wish to take early retirement.

Gen Pinochet has three main reasons for wanting to remain commander in chief of the army: Rightly or wrongly, he regards himself as the guardian of Chile's peaceful transition to democracy. He is the army's main insurance policy against the threat of human rights trials. And, having modernised the Chilean economy, the general still has one unfulfilled ambition: to go down in history as the man who also modernised the largest and most cumbersome branch of the Chilean armed forces.

For while the navy and air force effectively withdrew from government during the last years of military rule, the army's best cadres were busy running state bureaucracies and the ubiquitous security apparatus.

As a result, the 60,000-strong army (it includes 30,000 conscripts) finds itself far behind its sister branches in preparing for the challenges of the 21st century. Pay is poor; the army has forged few links with military academies abroad; and Gen Pinochet's intense dislike of the US has led to logistical problems in the search for non-American arms suppliers.

President Aylwin's "cohabitation" with the former dictator has not been easy, but he has handled it with considerable skill and no small measure of restraint. The president's boldest initiative was to commission an independent report, published in March 1991, on the human rights abuses committed during Gen Pinochet's rule. The report stopped short of naming those responsible for the repression, but it provided moral reparation for the victims and their families.

The army rejected the report's findings, frustrating President Aylwin's efforts to heal the wounds of the past.

Nevertheless, the government has not pursued human rights trials. Only a handful of cases, which fall outside a 1978 self-amnesty decreed by the military, are being pursued through the courts.

As the human rights legacy has diminished in importance, other issues concerning the role of the military in a democracy have taken centre stage. Spying on politicians caused a scandal last year which highlighted the government's impotence in dealing with the army intelligence services; they remain beyond civilian control.

Earlier this year the government failed to muster sufficient support in congress for a constitutional amendment that would restore the president's power to dismiss military commanders. The amendment was blocked by the right-wing opposition. The government's defeat was yet another example of how Gen Pinochet continues to exert an influence over domestic politics long after relinquishing power to civilians.

Military expenditure remains high for a country with no border conflicts

Nevertheless, these public battles have obscured the extent to which progress is being made in bridging the chasm of distrust that separates civilians and men in uniform. This year, for the first time, 20 civilians will be graduating with a master's degree in defence studies from the Chilean War Academy. "It has been an invaluable forum for discussion, to get to know their way of thinking," says Mr Hugo Espinoza, a left-wing sociologist who was expelled from the military-controlled universities during Gen Pinochet's rule.

Mr Espinoza also sees progress in the military's relations with congress. "Their greatest fear was that politicians would meddle in military affairs," he explains.

After a tense first year, the armed forces now send their top brass to parliamentary defence committees to explain and account for military expenditures. The navy and air force have made a special point of inviting senators and deputies on inspections and military manoeuvres.

Despite greater accountability, military expenditure remains high for a country with no border conflicts. The military budget consumes 15 per cent of the government's income – about 4.5 per cent of GDP. In per capita terms, Chile has the highest military expenditure on the continent, excepting Cuba.

Few Chileans feel bold enough yet to question the cost of their armed forces, let alone their efficiency. These troublesome issues have been left for a future government to tackle. President Aylwin's main aim during this transitional four-year government has been to establish a *modus vivendi* with Chile's former masters.

Mr Aylwin now says he has grown accustomed to the general. The military, for its part, has come to accept the legitimacy of democracy. No one in Chile fears another military coup.

Leslie Crawford

Leslie Crawford finds there is new political stability

Coalition confounds its critics

IT is a tribute to President Aylwin's ability to govern by consensus that politics in Chile, once a matter of life and death, has become boring.

Seven months ahead of general elections, it is already a foregone conclusion that the ruling Concertación coalition of centre-left parties will form the next government, and that Senator Eduardo Frei, leader of the Christian Democrats, will become Chile's next president.

The key to the Concertación's success has been its unity and discipline, which have given Chile three years of stable government following the transition from dictatorship to democracy in 1990.

Two right-wing parties are locked in a marriage of convenience

The Concertación confounded critics who believed the 17-party coalition would unravel once its principal goal – to oust General Pinochet – had been achieved. But according to Mr Edgardo Boeninger, President Aylwin's chief of staff, the experience of government has given the Concertación a "shared diagnosis and shared solutions that will make the coalition strong enough to last one or two decades."

"At this point in history," Mr Boeninger continues, "the parties of the Concertación need each other. The challenge will be to sustain this consensus over time."

The authority of the ruling coalition has been heightened by the total disarray in the opposition camp, where two right-wing parties are locked in a marriage of convenience, in a country where divorce is still illegal.

Even Mr Manuel Feliú, the presidential candidate of the main opposition party, Renovación Nacional, admits: "The Chilean right today is shattered. We are not an alternative for power. Our main task is to unite the right to ensure it polls one-third of the votes, so that it can check the excesses of the next government."

Renovación's spouse in this damage-limitation exercise is the Union of Independent Democrats (UDI). UDI wants its own party leader, Mr Jovino Novoa, to be the right's presidential candidate. The partners have yet to have their big showdown on who will finally go forward.

Since the return of democracy, the two opposition groups have been locked in a battle of supremacy for Chile's sizeable right-wing constituency. While Renovación's efforts to forge a modern conservative party along European lines have foundered, through political infighting, UDI remains unashamedly nostalgic for the days of authoritarian rule.

The right has also been robbed of political ammunition, because President Aylwin's government successfully hijacked Gen Pinochet's economic model.

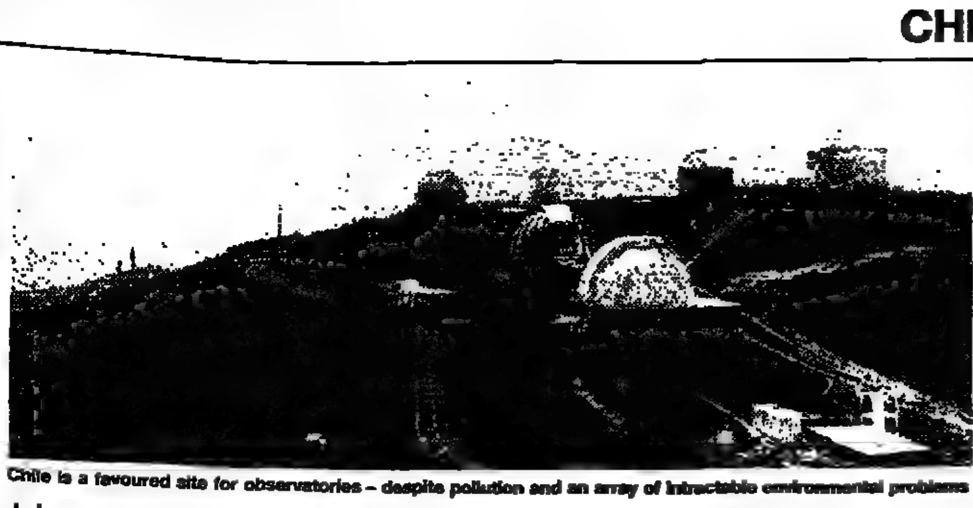
Nevertheless, the Concertación and the opposition remain deeply divided over the legacy of military rule. The government recently failed to pass a package of constitutional reforms in Congress, because it lacked the necessary two-thirds majority. Among other things, the reforms would have restored the president's power to dismiss military commanders-in-chief, and would have abolished the nine non-elected Senate seats that were filled with Pinochet appointees before he relinquished power.

Although these issues lie at the heart of a fully-functioning democracy, they are unlikely to figure prominently in electoral debates. To understand why, it is necessary to remember that the Chilean military negotiated their departure from power, and effectively dictated the ground rules of civilian government.

This explains the Concertación's acceptance of Gen Pinochet's unassailable position at the helm of the army, why it turns a blind eye to the surveillance activities of army spies, and why it has not pressed human rights trials.

"The effects of the negotiated settlement will be around for at least another 20 years," says Mr Oscar Godoy, a political scientist at the Catholic University in Santiago.

Manfred Max-Neef: 'Chile's growth is dangerous'



Chile is a favoured site for observatories – despite pollution and an array of intractable environmental problems

Environmental laws are to be strengthened, writes Ken Warn

Long catalogue of woes

CHILE'S constitution enshrines the right to live in an environment "free from pollution." That is probably little consolation to Santiago's 4.5m citizens, who are forced, particularly in the winter months, to live under a pall of choking fumes.

In spite of the fine words of the constitution, Chile suffers from an array of intractable environmental problems resulting from its natural-resource intensive economy, inadequate government controls and sprawling urbanisation.

Only now is the yawning gap between the constitution and everyday reality being addressed. In the autumn of 1992, the government of President Patricio Aylwin submitted a package of legislation to Congress to strengthen and extend the country's patchwork of environmental laws and decrees.

Companies would for the first time be required to undertake environmental impact studies of new projects, and a start would be made on the formulation of environmental standards. The absence of a viable regulatory framework leaves complainants against polluters little option but to embark on often lengthy court actions.

The battle against pollution is still in its early stages. "The country as a whole has not confronted the environment as an issue," says Mr Juan Escudero, head of the Santiago anti-pollution commission. "Only in the past five or six years has there been any kind of awakening to environmental problems."

The commission's efforts to tackle the specific problems of Santiago are similarly at an early stage. Air pollution has been measured and the worst sources of emissions identified, according to Mr Escudero. But the hard part – implementing a pollution-control plan for metropolitan Santiago – is only just beginning.

Chile's capital is not helped by its geography and climate. Santiago is at 33 degrees south and is ringed by mountains up to 3,200 metres high. From April to August (autumn and winter) thermal inversions trap the city's pollutants, mainly particulates and carbon monoxide from vehicle exhausts. Under the plentiful summer sunlight, the main problem is photochemical smog.

Buses, particularly old and badly maintained ones, are the main culprits, and some successes have already been scored against Santiago's vocal and powerful bus operators.

The government has sought to reduce the number of buses, which account for over half of all journeys undertaken in Santiago, and cut duplication by putting some routes out to tender. There are now formal contracts between operators and the ministry of transport in what was formerly a completely unregulated system.

Some 4,000 old buses have been taken out of service in the past three years, and

Codelco is committed to spending about $90m a year on environmental controls

the total bus fleet has been reduced from 13,000 to under 11,000 vehicles – "still too many," sighs Mr Escudero. Private vehicles face controls, too. Car use is restricted for much of the year in central Santiago on a rotating basis, and since September 1992 all new private vehicles have had to be fitted with catalytic converters.

The catalogue of Santiago's environmental woes goes on. The city produces 10 cubic metres of untreated waste water every second. While the city is finishing its first water-treatment plant, at a cost of $12m, it will take hundreds of millions of dollars and at least a decade to create an effective system for the city as a whole. How many plants to build – and where to build them – is still being studied.

Outside the capital, the country's natural resource based industries have only recently begun to clean up their act.

The state-owned copper corporation Codelco, for example, is committed to spending between 15 and 20 per cent of its investment budget – about $90m a year – on environmental controls.

But the pace of the industrial clean-up and the government's gradualist approach to environmental regulation, aimed at minimising the impact on growth, is rejected by an increasingly vocal lobby.

"Chile's macro-economic indicators are quite spectacular, but also dangerous," says environmental campaigner Mr Manfred Max-Neef. "Another eight years of the same will leave the country devastated," he says.

Mr Max-Neef is running for president in December's elections as an independent candidate backed by a "rainbow coalition", including environmentalist and women's groups, and trade unions. He does not seriously expect to win the presidency but aims to push environmental issues up the political agenda.

He lambasts the government for allowing the "devastation" of Chile's natural resources. At the southern port of Puerto Montt, "there are mountains of wood chips waiting to be sent to Japan to be made into toilet paper. I don't think that's a very noble destiny for our native forests," he says.

Chile's nascent environmental activists have already notched up some successes, including a legal campaign by olive growers in the Huasco Valley for more environmental controls at an iron pellet plant, which they claim blighted their crops.

As if its internally generated environmental difficulties were not enough, Chile faces an as-yet unquantified threat in the form of ozone depletion. Every spring, Antarctica loses much of its ozone cover, as a result of photochemical reaction with the greenhouse gases produced by the industrialised world, exposing neighbouring countries to increasing levels of cancer-causing ultraviolet rays.

The ozone hole is getting bigger, appearing earlier and lasting longer every year. The implications for southern Chile could be enormous. Whereas the government has at least started to take stock and act on Chile's more conventional environmental dilemmas, understanding of the ozone problem is only in the earliest stages.

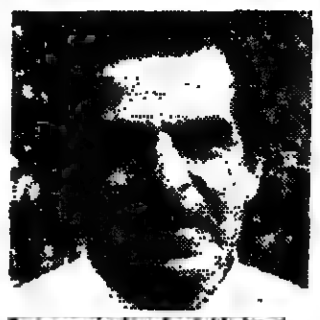
Profile: Senator Eduardo Frei

Distinguished ancestry

Senator Eduardo Frei, leader of Chile's Christian Democrats and front-runner in the race for the presidency, is not exactly known for his fiery oratory or barnstorming campaign style. But at least, according to one political analyst, "he has learnt how to smile."

A sombre, rather taciturn businessman, Mr Frei is consistently the country's most popular politician in the opinion polls behind President Patricio Aylwin. His position as leader of the biggest party in the ruling coalition has given him a seemingly unbeatable hand against the divided opposition. Despite a distinguished political ancestry – Eduardo Frei Senior was president from 1964-70 – Mr Frei only ran for office for the first time in 1990, when he won his senate seat. However, he joined the Christian Democrats in 1958 at the age of 16 and says he was always active in the party.

Mr Frei denies charges that he trades on the reputation of his late father – a popular and charismatic politician, and a founder figure of the Christian Democrats. "It's foolish to deny that people remember my father. But not all sons of presidents follow in their fathers' footsteps. Ultimately people will judge me by what I do, not by my name." His father, he adds, gave him "a vision of this country and of public service."



Frei: seemingly unbeatable hand against the divided opposition

A key element of Mr Frei's political credo is a determination to preserve the ruling Concertación coalition "for as long as it is efficient and rational to do so." The Aylwin government, which effected the transition from military to civilian rule, "achieved high economic growth, political stability and increased social spending. For me, that proves the value of working together," he says.

If elected president this December, Mr Frei promises to "continue and deepen" the reforms of the Aylwin administration. But he highlights poverty, weaknesses in the education system and bottlenecks in infrastructure as obstacles to continued growth.

Mr Frei is unequivocal about the need for constitutional reform to remove the checks on the elected government handed down from the Pinochet era.

"This is a matter of principle for us. I don't know of any other democratic country where the head of state or civil authorities don't have control over the chiefs of the armed forces."

The Senator may be well placed to succeed where the Aylwin government faltered – a constitutional reform package failed to win the required two-thirds majority in Congress this March.

"Frei has a strong sense of how power works in this country," says Mr Oscar Godoy, head of political science at the Roman Catholic University of Chile. "He is no great orator – he knows that – but he is a good team player, chooses his people well and he likes taking decisions."

Mr Frei rarely departs from the language of gradualism and consensus. Even the attempt by the Socialist party and its ally the PPD to offer their own candidate, Mr Ricardo Lagos, for the coalition's presidential nomination is "absolutely normal and unsurprising in a presidential system," he says, smiling.

Ken Warn

THE WINE INDUSTRY

Modernised and export-oriented

In the main plaza of Curicó, about 200km south of Santiago in Chile's Central Valley, the festival to mark the start of the grape harvest is in full swing. The local bishop has blessed the year's first pressings and a wine fountain is flowing. The town band is earnestly tackling a vigorous march and the queen of the harvest is about to receive her reward – her own weight in wine.

Although the festival looks like time-honoured ritual it is in fact the celebration of a very recent phenomenon – the emergence of a modernised, export-oriented wine industry. A combination of foreign investment and a renewed dynamism on the part of Chilean estate owners has translated into soaring sales.

Exports grew 55 per cent last year to about $180m, according to the Chilean wine industry association. This was the fourth year in succession in which exports grew more than 50 per cent in dollar terms. Export volume last year climbed 25 per cent to 80m litres and the association forecasts overseas sales of 120m litres by 1995 and 180m litres by 2000.

Mr Miguel Torres, the Spanish winemaker, is the man widely credited with sparking this revolution. Mr Torres first invested in Chile 14 years ago, after a lengthy search for new opportunities in both California and Latin America. "I really think the Central Valley is paradise for anyone interested in vines," he says at his bodega outside Curicó. "The climate, the quality of the soils and absence of phylloxera [the vine pest] make this place just about perfect."

Mr Torres introduced state-of-the-art wine-making technology, including the latest presses, new French oak barrels to lend more character to red wines, and cold fermentation tanks for the whites. In doing so he broke decisively with the Chilean philosophy of "quantity not quality."

Other foreign investors have proved eager to follow his lead. Chateau Lafite bought a 50 per cent stake in the historic vineyard of Los Vascos at the end 1988, with the aim, according to Lafite oenologist Mr Gilbert Rokvam, of creating "a French chateau in Chile in the tradition of the great Bordeaux wines." Another small family-owned business, Errazuriz Panquehue, formed a joint venture with California's Franciscan Estates the same year.

Errazuriz has a dual strategy, according to Mr Eduardo Chadwick, whose family have owned the business since 1870. On the one hand it is seeking to produce high-quality Reserva wines at the family's three properties. But it is also buying in grapes under long-term contract from farmers to produce Caliterra, a more middle-market brand. "Our biggest job was getting farmers to prune back more to decrease yields and raise quality," says Mr Chadwick.

Caliterra, launched three years ago, has become the biggest Chilean brand in the UK market, Mr Chadwick says. The link-up with Franciscan proved short-lived – the joint venture was dissolved amicably in 1991. Franciscan moved on to a $6m investment in the Casablanca Valley between Santiago and Valparaiso. The company remains the agent for Errazuriz in the US.

The main market for Chile's wines continues to be the US, which accounted for about a quarter of sales by value last year. Chilean wines make up 7 per cent of US wine imports and it has overtaken Germany as the third-largest wine exporter to the US after France and Italy.

Small vineyards such as Los Vascos, Torres and Errazuriz are at the cutting edge of Chile's wine industry. But it is dominated by Viña Concha y Torro, which accounts for about a quarter of wine exports, twice as much as its nearest rival, Viña Santa Emiliana. The average price per litre these winemakers command is low compared with smaller operators, but they also produce top wines.

Ken Warn

COMMODITIES AND AGRICULTURE

Gold price hits 23-month high

By Kenneth Gooding, Mining Correspondent

THE GOLD market frothed up again yesterday and in late trading the dollar price in London broke through another pychologically-important barrier to close at $370.25 a troy ounce, its highest for 23 months.

Traders suggested the price was being driven up by the momentum of options activity which created extreme volatility at key price levels. "The higher it goes, the higher it will go," said one.

More investment fund money poured in yesterday, dealers said. "There are too many fund managers around the world with no gold in their portfolios and new gold looks like being the best-performing asset in the second quarter [of 1993] they must get some," said one observer. Another comments "Gold is on the fringe of the financial markets and it is a market where serious money goes a long way".

Mr Wiktor Bielski, analyst at Bain Securities, part of the Deutsche Bank group, said chart watchers believed that once gold's price broke through resistance at $371-$372 an ounce there was nothing much to stop it going to $380 and then $400. "it is difficult to find anything that might stop it. We could see $425 much more quickly than some people expect."

He pointed out that two gold producers had announced they had unwound some forward sales and more might follow. He estimated that producers had sold forward 90 to 100 tonnes of gold at receivable prices below the present spot price. If spot prices rose to between $380 and $400 an ounce, forward sales totalling 300 to 400 tonnes would be in that situation.

EC seeks bigger set-aside

A EUROPEAN Commission proposal to fix a 20 per cent rate for arable land permanently taken out of production must be approved by farm ministers by July 31, Commission officials said, Reuter reports from Brussels.

Officials hope this can be done at the next farm council on May 24, allowing time to prepare for the implementation of the new rules.

Governments and farmers, notably Danish, favour permanent set-aside, which is seen as simpler, easier to control, better for the environment and more acceptable to taxpayers.

Ministers are expected to give guidelines rather than take quick decisions on a commission paper, approved yesterday, discussing the controversial set-aside scheme – a key element in last year's reforms to curb farm output.

The commission paper was drafted in response to criticism from member states and farmer groups about the complexity of the scheme and desire to make it more beneficial to the environment.

If farmers are allowed to combine permanent and rotational set-aside on the same farm the higher 20 per cent rate should apply, according to the commission paper.

Farmers must set aside 15 per cent of arable land under a six-year rotational scheme adopted in last year's reforms.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,610-1,655 (1,635-1,690)

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.25-2.45 (2.30-2.40).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.35-0.45 (same)

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 14.40-14.90 (14.60-15.15).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 115-140 (120-140).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.20-3.25 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 28-41 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.40-1.60 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.10 (same).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+1,175	to 1,792,350
Copper	+4,425	to 411,550
Lead	-775	to 250,850
Nickel	+223	to 92,502
Zinc	+2,325	to 646,600
Tin	+45	to 20,485

Dutch mount assault on manure mountain

By Ronald van de Krol in Amsterdam

THE DUTCH government has reached agreement with the country's highly productive livestock farmers on reducing pollution-causing manure surpluses by the year 2000, averting the threat of forced cuts in the size of the Dutch pig, cattle and poultry herds.

Under an accord reached last week after long and difficult negotiations, pig and poultry producers will be required by 1995 to cut the amount of harmful phosphorous in manure produced on their farms by 30 per cent compared with with the level in 1986.

The government and farmers' organisations are confident that the phosphorus reductions can be achieved entirely by changes in the diets of their pigs and poultry, meaning that the actual number of animals does not need to be reduced.

The Netherlands has 115m head of livestock, compared with human population of 15m. Modern animal husbandry techniques have left the country with more manure than can be safely absorbed by farmland, causing stubborn problems such as air and water pollution.

A central element in the new system for controlling manure surpluses will be a "mineral ledger" to be kept by livestock farmers starting in 1995. The ledgers will keep track of the amount of phosphorus and nitrogen arriving at farms in the form of animal feed and artificial fertiliser, the amount effectively absorbed by the animals and the amount left as residue in manure.

From 1996, livestock farmers who exceed the mineral quotas will be subject to a "super levy" designed to discourage surplus manure production.

Pollution caused by excessive manure production will also be curbed by stricter controls on the amount of manure that farmers can spread on their land.

From 1995, farmers will be allowed only 150 kg of phosphorus a year to each hectare of grassland, down from 175 kg at present. By the year 2000 the phosphorus limit will gradually be cut to 65 kg a ha.

This is meant to encourage livestock farmers to deliver surplus manure to processing plants for conversion into manure pellets destined for export markets. Other options open to farmers are large-scale conversions of existing barns and sheds to prevent the seepage of manure into the air and waterways.

Nigeria signs deal with BP-Statoil alliance

By Paul Adams in Lagos

NIGERIA YESTERDAY signed an oil exploration and production-sharing contract with the alliance between BP and Statoil, the Norwegian state oil company, for three deep offshore blocks south-west of the Niger Delta. It was the third agreement in a month by a foreign oil group to take all the risks in developing new fields since shortage of cash forced the government to stop taking majority stakes in exploration joint ventures.

After initial resistance to the terms offered by Nigeria's ruling transitional council this year, the foreign oil companies are falling into line following last month's signing by Royal Dutch/Shell and Elf of France. Exxon of the US is to sign a similar deal on Friday.

The contract marks the return of BP to active exploration in Nigeria after an absence since 1979, when its Nigerian assets were nationalised. It was welcomed by Mr Philip Asiodu, the oil minister, who said at the signing in Lagos: "We are all sorry that matters political led to a rupture".

The structure is estimated to hold reserves of at least 250m barrels and could have as much as 1bn barrels. BP-Statoil will pay a signature bonus of US$42m and are committed to investing a minimum of $65m over the next six years. Seismic tests will begin this year and the first discovery is expected by the end of 1994.

Mr Asiodu said that Nigerian law would be amended by August to allow more favourable terms for the increased risk taken by foreign oil companies in the new contracts.

For deep offshore exploration the petroleum profit tax will be cut to 50 per cent, the investment tax credit will be 50 per cent and royalties to NNPC, the state-owned petroleum corporation, will be on a sliding scale from 16 per cent to zero, according to depth. Similar amendments will be made to terms for contracts covering onshore blocks.

● The BP-Statoil alliance, established more than two and a half years ago, expects to complete negotiations next year with authorities in Azerbaijan on terms and conditions to develop the Chirakh oil field, according to the chief executives of the respective companies, writes Karen Fossli in Oslo.

Speaking in Stavanger at a briefing on the alliance's development, Mr David Simon of BP and Mr Harald Norvik of Statoil agreed that significant results had been achieved by the two companies in a very short time but recognised that its true test would be to bring production on stream with a resonable return on investment in the various areas where it was operating.

Mr John Brown, BP vice-president of exploration and development, said the Chirakh development could need investment amounting to "several tens of billions of kroner" but he would not be drawn on specific figures, which could be sensitive in current negotiations.

The alliance believes the Chirakh field holds at least 1bn barrels of oil. The two companies aim to bring it on stream by the end of 1997 with output of about 200,000 barrels a day.

In March, the alliance delivered results of a development study for Chirakh to Socar, the Azerbaijani state oil company, and also results of a study on the prospects of exploring for oil and gas in the Shak Deniz area, in the southern part of the Caspian Sea. Elsewhere in the South Caspian Sea, the BP/Statoil alliance is participating in a licence operated by Amoco, which has commenced negotiations on obtaining a production sharing agreement.

Next month it aims to bring on stream non-productive wells in western Siberia that it has rehabilitated.

Green shoots appear on Colombia's arid savannahs

John Madeley reports on a rice pasture experiment that is yielding dramatic results

THE FARMER looked bemused as he looked out on rice growing on flat savannah land in eastern Colombia. "It's too good to be true," he said.

Crops are a rare sight in the infertile and acid soils of South America's huge savannah lands, which cover almost half the continent's agricultural area and are particularly extensive in Brazil, Colombia and Venezuela. Although traditionally used for cattle ranching, the native savannah make poor pasture.

But ten years of research at the International Centre for Tropical Agriculture, in Cali, western Colombia has led to the development of a rice variety that grows in savannah soils. This could open the way for a substantial increase in both crop and livestock production on savannah lands, one of the last areas in the world not exploited by farmers.

The centre's researchers now believe that the savannahs can sustain rice-pasture farming and that crops can be grown for the first time on up to 240m hectares (600m ha) of savannah land – larger than the area of sub-Saharan Africa under food crops.

"The savannahs represents most of the area in the world that can be expanded for agriculture," says scientist Mr Richard Thomas.

With rice-pasture agriculture, farmers plant their rice and pasture at the same time. After preparing and fertilising the land, they plant the rice in rows and scatter the pasture seeds, a mixture of improved grasses and legumes. Farmers harvest the rice after three to four months and then graze cattle on pasture.

"The legumes pull nitrogen from the air, thus acting as a free nitrogen fertiliser," explains Mr Thomas. He estimates that they effectively provide between 40 and 80 kg of nitrogen per hectare a year.

For the first farmers in Colombia who tried the new system in 1992, results were dramatic. In all, some 4,000 hectares of savannah were planted with the improved grasses, legumes and rice. The unirrigated rice – adequate rainfall makes irrigation unnecessary – yielded an average of 3.1 tonnes a hectare.

In turn the quality of the pasture has been improved both by the new grasses and legumes and by the fertiliser that remains after producing rice; this means that farmers are able to increase the numbers of cattle on their land. Where they might have previously stocked one cow to every 10 ha, they can now start to think in terms of two animals a hectare – a 20-fold increase.

The cattle also gain weight faster on rice-pasture land. Whereas farmers previously waited two years before taking their cattle to market, the centre's scientists are hopeful that they will now be able to sell within 15 or 16 months. Although there are large farms on the savannah lands, there are also many smallholders with between 100 and 200 ha who make only a meagre living on the poor soils. By changing to rice-pasture they can grow a crop, which they have not done before, keep substantially more cattle and make their farms profitable.

There are also environmental benefits. Many savannah pastures are over-grazed and the system could help to recover these lands and help to ensure they are farmed on a sustainable basis. Mr Thomas believes that it could also be used in some Amazonian forest lands that have been badly damaged by indiscriminate logging.

The centre's scientists stress that savannah soils are poor and that rice should not be planted continuously – "for no more than three or four years", says agronomist José Ignatio Sanz. Farmers should then leave the land purely for pasture for several years before growing rice again.

Nor should rice be planted on its own on savannah land. If the new rice variety is grown in monocropping fashion on the savannahs, it may produce well in the first year, but yields will be down to almost nothing by the third.

"We want farmers to understand that the system is fragile," says plant breeder Mr Elcio Guimaraes.

NZ apple growers hail Japanese breakthrough

By Terry Hall in Wellington

NEW ZEALAND apple growers are licking their lips at the prospect of becoming the only foreign suppliers, apart from the Koreans, to bite into the lucrative Japanese market.

Mr Jim Bolger, the prime minister, announced in Tokyo this last week that he had been told by Japanese prime minister Mr Kiichi Miyazawa to expect the ban to be lifted within a few weeks.

New Zealand has been pressing the Japanese to open their market for New Zealand fruit for 20 years, and over the past year considerable progress has been made on a protocol to cover trade in apples between the two countries. Japanese growers have been battling against New Zealand access.

Many other countries, including the US and Australia have been pressing Japan to relax its ban, but it is believed that New Zealand, having signed the complex protocols agreed by both countries, has a considerable time advantage over its rivals.

Under the agreement New Zealand will also import Japanese apples. The first are not expected to be sent till early next year, but it is expected the trade could reach 10,000 tonnes in five years.

Hitherto the Japanese have resisted imports of all apples, apart from Korea, because of the perceived risk that the apples will carry the codlin moth pest. Under the proposed joint venture scientists from both countries have been working on testing procedures.

Brian Aitken, group general manager fresh fruit exports for the Apple and Pear Board said that the agreement was a real breathrough into a market that had been closed for many years. However he said he expected the trade would initially be small, worth possibly NZ$5m in the first year.

He said that under the agreed protocol New Zealand would have to meet stringent standards. Orchards sending fruit to Japan would have to be isolated by a 500 metre "zone", there would be strict fumigation requirements and cool stores and packing plants would be strictly controlled. "We also have a lot to learn about the Japanese market."

Mr Aitken said he expected other countries, including the USt and Australia would now put pressure on the Japanese to open their market to them as well. "However having pioneered this protocol, we won't be rushing to let our rivals know all the details," he said.

Mr Aitken said that New Zealand had just made another breakthrough by signing a deal to supply 15,000 cases of apples to China. A similar deal had also been signed with Mexico, another new market.

EC urges renewal of pact talks

THE EUROPEAN Community and developing countries in the African, Caribbean and Pacific (ACP) group have jointly called for the reopening of stalled negotiations for international cocoa and coffee agreements, reports Reuter from Brussels.

"The [EC-ACP] Council [of ministers] hoped that the demonstrated political goodwill would be translated into an effective and economically viable [cocoa] agreement," said a joint statement after a two-day ministerial meeting.

The EC and the ACP also called on producer and consumer countries to show flexibility to restart coffee talks.

WORLD COMMODITIES PRICES

MARKET REPORT

New York arabica COFFEE prices were sharply higher at midday on what traders said was renewed speculative buying, stirred by news of declines in US warehouse stocks. After Monday's close the Green Coffee Association said total US stocks in April fell by 518,000 bags to 9.59m bags (60 kgs each). New York's move helped London robusta prices to break through $900 a tonne. New York raw SUGAR was broadly lower and on the defensive at midday on what traders said was heavy technically induced commission house selling. Analysts were at a loss for any fundamental reason for the move, which followed Monday's three-year high of 13.26 cents a lb in the July contract. COPPER staged a brief rally in the afternoon on the LME but the move was showing signs of running out of steam by the end of kerb trading as the bearish sentiment on fundamentals reasserted itself. Dealers said news of a 6.7 per cent rise in April US housing starts contributed to the firmer tone, helping to spark some profit taking. However, the overall bearish mood was strengthened by a rise of 4,425 tonnes in LME stocks to a nine-year high of 411,550 tonnes.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jul)		+ or -
Dubai	$15.33-5.35z	-.085
Brent Blend (dated)	$18.11-8.15	-.085
Brent Blend (Jul)	$16.33-6.37	-.045
W.T.I (1 pm est)	$18.72-8.73z	-.025

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$210-212	
Gas Oil	$175-176	+2
Heavy Fuel Oil	$70-72	-1
Naphtha	$182-184	
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$370.25	+2.05
Silver (per troy oz)♣	455.5c	+5.0
Platinum (per troy oz)	$382.25	+4.25
Palladium (per troy oz)	$120.10	+0.25
Copper (US Producer)	87.0c	
Lead (US Producer)	30.50c	
Tin (Kuala Lumpur market)	14.05r	+0.03
Tin (New York)	255.0c	+1.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	141.12p	+1.56*
Sheep (live weight)†♣	134.95p	+0.24*
Pigs (live weight)†	90.79p	+2.01*
London daily sugar (raw)	$320.0	-4.0
London daily sugar (white)	$304.0	-6.0
Tate and Lyle export price	£323.0	-1.5
Barley (English feed)	£113.0v	
Maize (US No. 3 yellow)	£166.5	
Wheat (US Dark Northern)	Unq	
Rubber (Jun)♥	57.75p	+0.75
Rubber (Jul)♥	58.00p	+0.75
Rubber (KL RSS No 1 May)	208.5m	
Coconut oil (Philippines)§	$422.5y	-3.0
Palm Oil (Malaysian)§	$367.5u	
Copra (Philippines)§	$272.5	-6.0
Soyabeans (US)	£173.0z	+1.0
Cotton "A" index	59.50c	-0.75
Wooltops (64s Super)	378p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Aug/Sep u-Jun. z-July. v-Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. * change from a week ago, provisional prices.

SUGAR – London FOX ($ per tonne)

White	Close	Previous	High/Low
Aug	304.90	310.00	309.50 302.00
Oct	299.70	306.00	305.00 298.50
Dec	300.90	304.30	303.50 300.00
Mar	298.70	303.30	303.00 297.00
May	300.30	305.20	305.70 301.50
Aug	304.50		310.10

White 1031 (573) Paris- White (FFr per tonne): Aug 1674.58 Oct 1650.73

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Jul	18.35	18.41	18.49 18.30
Aug	18.49	18.55	18.60 18.43
Sep	18.64	18.68	18.72 18.58
Oct	18.70	18.73	18.75 18.70
Dec	18.86	18.82	18.85
IPE Index	18.43	18.60	

Turnover 18206 (20816)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Jun	172.50	170.50	172.75 171.00
Jul	171.75	170.50	172.50 171.00
Aug	173.50	172.25	173.75 172.50
Sep	175.50	174.25	175.75 174.75
Oct	178.50	177.25	178.75 177.75
Nov	180.50	179.75	180.75 179.75
Dec	182.50	181.50	182.50
Jan	182.75	182.00	183.00 181.75
Feb	181.25		181.50 180.50
Mar	177.25		177.75 176.50

Turnover 12,549 (9649) lots of 100 tonnes

JUTE
June/July c and f Dundee BTC $330, BWC N/A, BTD $305, BWD $320; c and f Antwerp BTC $315, BWC $325, BTD $285, BWD $295.

COTTON
Liverpool- Spot and shipment sales amounted to 248 tonnes for the week ended May 14, against 220 tonnes in the previous week. Improved demand brought moderate purchases, mainly in west African descriptions. Pakistani and C.I.S. growths made some headway.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
May	647	644	649 639
Jul	670	667	672 661
Sep	686	684	686 677
Dec	708	706	708 700
Mar	729	727	728 721
May	744	741	744 736
Jul	756	754	756 751
Sep	772	768	772 763
Dec	794		795
Mar	816	813	817 813

Turnover: 2843 (2915) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 17 693.80 (704.94) 10 day average for May 18 710.41 (712.99)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
May	900	888	[illegible]
Jul	918	892	920 895
Sep	916	888	919 889
Nov	923	897	923 907
Jan	930	904	930 912
Mar	938	911	935 930

Turnover: 5554 (1109) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 17 Comp. daily 53.26 (52.69) 15 day average 53.24 (53.18)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	94.8	96.5	95.1 95.0

Turnover 21 (40) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Aug	143.00		142.50
Oct	145.50	145.30	146.00

Turnover 20 (0) lots of 20 tonnes.

FREIGHT – London FOX ($10/Index point)

	Close	Previous	High/Low
May	1629	1630	1630
Jun	[illegible]	1535	1547 1540
Jul	1380	1375	1385 1379
Oct	1442	1439	1450 1438
Jan	1490		1490
BFI	1603	1597	

Turnover 388 (239)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
May	143.00	142.75	142.75 141.75
Jun	140.75	141.80	141.25 140.55
Sep	108.05		108.10
Nov	109.85	110.00	109.90 109.85
Mar	115.30		116.35 115.25
May	117.90	118.10	118.00

Barley	Close	Previous	High/Low
May	135.50		136.00
Nov	109.40	109.40	109.25

Turnover: Wheat 126 (131), Barley 40 (0).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	108.0	108.5	

Turnover:0 (8) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 42,599 lots
Cash	1122-3	1124-5	1129/1121	1121.5-2		
3 months	1145-6	1147-7.5	1150/1143	1144.5-5	1144-4.5	135,741 lots
Copper, Grade A (£ per tonne)						Total daily turnover 43,563 lots
Cash	1171-2	1150.5-1.5	1149	1149-9.5		
3 months	1191-2	1170-1	1193/1170	1169-9.5	1183-4	210,299 lots
Lead (£ per tonne)						Total daily turnover 4,334 lots
Cash	259-9.5	261-1.5	259.25	258-8.25		
3 months	268.5-9	270.5-1	271/268	268-8.5	270.5-1	20,399 lots
Nickel ($ per tonne)						Total daily turnover 12,300 lots
Cash	5663-8	5555-65		5615-25		
3 months	5730-5	5625-30	5750/5660	5685-90	5690-5	53,364 lots
Tin ($ per tonne)						Total daily turnover 1,960 lots
Cash	5517-22	5495-500		5500-5		
3 months	5575-80	5555-60	5575/5540	5580-70	5560-70	9,257 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 21,612 lots
Cash	987.5-8.5	970-1	964.5/964	964.5-5		
3 months	987-7.5	983.5-90	990/975	984-5	984-5	66,573 lots

LME Closing £/$ rate:
SPOT: 1.5320 | 3 months: 1.5210 | 6 months: 1.5111 | 9 months: 1.5023

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	370.00-370.50	
Opening	365.30-365.40	
Morning fix	366.60	239.843
Afternoon fix	367.30	240.282
Day's high	371.25-371.75	
Day's low	365.75-366.25	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.64	6 months	2.50
2 months	2.59	12 months	2.60
3 months	2.54		

Silver fix	p/troy oz	US cts equiv
Spot	287.95	440.30
3 months	292.10	443.40
6 months	296.40	447.00
12 months	305.25	455.25

GOLD COINS

	$ price	£ equivalent
Krugerrand	366.00-370.00	239.00-242.00
Maple leaf	379.95-382.35	-
New Sovereign	85.00-89.00	55.00-58.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jun	Sep	Jun	Sep
1125	35	63	22	25
1150	23	40	34	37
1175	14	29	50	50
Copper (Grade A)	Calls		Puts	
1750	88	114	47	63
1800	62	88	70	86
1850	42	66	100	114
Coffee	Jul	Sep	Jul	Sep
850	75	91	7	23
900	40	61	22	43
950	13	40	51	72
Cocoa	Jul	Sep	Jul	Sep
700	7	28	37	42
725	3	20	58	59
750	1	14	81	78
Brent Crude	Jul	Aug	Jul	Aug
1850	27	53	37	51
1900	11	31	75	-
1950	5	16	-	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	375.6	367.5	373.0	373.0
Jun	376.0	368.0	376.5	367.0
Jul	376.9	368.9	0	0
Aug	377.6	369.9	379.6	368.8
Oct	379.6	371.6	380.2	371.1
Dec	381.3	373.3	382.0	372.3
Feb	382.9	374.9	383.5	374.9
Apr	384.6	376.5	379.5	376.6
Jun	386.3	378.2	382.5	382.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	391.0	385.4	392.0	[illegible]
Oct	389.3	383.7	390.0	381.0
Jan	389.0	383.2	389.0	384.5
Apr	388.7	382.9	386.0	382.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	460.6	440.3	461.5	450.5
Jun	461.3	441.0	0	0
Jul	462.5	442.2	463.0	433.5
Sep	465.7	445.2	466.0	442.5
Dec	470.3	449.6	471.5	447.0
Jan	470.9	450.2	460.5	460.5
Mar	475.0	454.1	473.5	454.5
May	478.6	457.4	466.0	456.0
Jul	482.0	460.7	479.0	470.0
Sep	485.8	464.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	79.85	79.05	80.30	73.25
Jun	80.05	79.15	80.30	79.70
Jul	80.40	79.45	81.10	79.30
Aug	80.65	79.70	80.70	80.70
Sep	80.95	80.00	81.60	80.05
Oct	81.20	80.25	0	0
Nov	81.50	80.55	0	0
Dec	81.80	80.85	82.15	81.35
Jan	81.85	81.00	0	0
Feb	82.20	81.25	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	19.37	19.51	19.58	19.34
Jul	19.69	19.83	19.88	19.68
Aug	19.90	20.02	20.07	19.89
Sep	20.04	20.15	20.19	20.02
Oct	20.11	20.23	20.26	20.11
Nov	20.15	20.26	20.29	20.15
Dec	20.20	20.26	20.29	20.14
Jan	20.20	20.28	20.29	20.20
Feb	20.25	20.25	0	0
Mar	20.24	20.24	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	53.95	54.08	54.20	53.70
Jul	54.45	54.62	54.75	54.35
Aug	55.20	55.35	55.45	55.00
Sep	56.20	56.35	56.45	56.10
Oct	57.20	57.35	57.35	57.20
Nov	58.20	58.33	58.30	58.20
Dec	59.25	59.25	59.35	59.00
Jan	59.65	59.70	59.70	59.50
Feb	59.50	59.40	59.60	59.30
Mar	58.00	58.00	58.10	58.00

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	893	887	896	881
Sep	913	916	925	911
Dec	955	957	963	950
Mar	985	991	992	985
May	1008	1014	1010	1007
Jul	1028	1034	1030	1029
Sep	1051	1056	1055	1050
Dec	1083	1089	1081	1080
Mar	1117	1121	1118	1113

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	62.50	59.85	61.40	60.50
Jul	63.30	59.85	63.40	61.00
Sep	65.10	61.65	65.15	62.75
Dec	67.65	64.35	67.70	65.50
Mar	69.90	66.60	70.00	67.75
May	71.65	68.25	71.00	71.00
Jul	72.85	69.50	0	0
Sep	74.25	70.85	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	12.35	12.97	12.65	12.25
Oct	12.29	12.83	12.58	12.22
Mar	11.52	11.72	11.67	11.43
May	11.38	11.57	11.52	11.35
Jul	11.27	11.50	11.42	11.27
Oct	11.30	11.53	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	61.73	60.67	61.75	60.73
Oct	60.58	60.27	60.85	60.30
Dec	59.78	59.32	59.85	59.30
Mar	60.85	60.50	61.00	60.40
May	61.55	61.20	61.60	61.20
Jul	62.20	61.70	62.20	62.15
Oct	61.35	60.85	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	105.95	103.25	106.50	101.20
Sep	108.75	106.30	109.00	104.25
Nov	110.90	109.00	110.90	106.50
Jan	113.25	110.25	111.40	110.00
Mar	113.45	111.75	113.00	111.95
May	113.45	111.75	114.00	111.00
Jul	113.45	111.75	0	0
Sep	113.45	111.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 18	May 17	mnth ago	yr ago
1676.3	1681.7	1650.2	1592.4

DOW JONES (Base: Dec. 31 1974 = 100)

	May 17	May 14	mnth ago	yr ago
Spot	119.16	119.92	124.91	118.58
Futures	121.69	121.52	121.94	119.47

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	605/6	600/4	606/0	589/6
Jul	605/0	599/4	605/4	596/4
Aug	604/2	598/6	605/0	596/0
Sep	603/0	597/2	603/2	598/0
Nov	606/0	600/2	606/4	599/4
Jan	612/0	606/0	612/4	606/6
Mar	618/0	612/4	618/6	612/6

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	21.27	21.03	21.30	21.05
Jul	21.45	21.21	21.49	21.22
Aug	21.58	21.33	21.60	21.35
Sep	21.72	21.46	21.72	21.48
Oct	21.82	21.56	21.83	21.63
Dec	22.05	21.76	22.06	21.78
Jan	22.13	21.85	22.15	21.94
Mar	22.33	22.04	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	194.8	192.7	195.0	192.9
Jul	191.7	190.3	192.4	190.0
Aug	190.6	189.7	191.3	189.5
Sep	190.9	189.8	191.4	189.5
Oct	190.9	190.1	191.5	190.1
Dec	192.0	191.3	192.8	191.3
Jan	192.6	191.7	193.3	192.2
Mar	192.7	192.1	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	224/6	221/6	225/0	222/2
Jul	229/2	227/2	229/4	227/4
Sep	233/6	232/2	234/0	232/2
Dec	239/2	237/6	239/4	238/0
Mar	245/6	244/2	246/0	244/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	364/6	358/4	365/4	359/4
Jul	297/0	294/0	298/0	293/4
Sep	299/6	297/0	300/4	296/4
Dec	311/0	309/0	311/6	307/6
Mar	317/0	314/4	318/0	314/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	75.875	76.750	76.000	75.625
Aug	72.875	73.650	73.600	72.800
Oct	74.100	74.825	74.625	74.000
Dec	73.900	74.425	74.400	73.850
Feb	73.400	73.825	73.850	73.400
Apr	74.350	74.700	74.550	74.300

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	51.675	51.950	51.850	51.475
Jul	50.600	50.750	50.850	50.450
Aug	48.600	48.525	48.750	48.275
Oct	43.250	43.150	43.300	42.950
Dec	44.075	44.075	44.150	43.950
Feb	44.000	44.050	44.100	43.975
Apr	42.850	42.975	43.000	42.850

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	42.875	44.500	44.000	42.500
Jul	42.750	44.200	44.000	42.325
Aug	40.775	41.975	41.800	40.300
Feb	41.200	41.675	41.775	41.150
Mar	40.050	40.800	0	40.050

US worries hit London share prices

By Terry Byland, UK Stock Market Editor

A FRISSON of nervousness over US interest rates ran through the London stock market yesterday afternoon, helping to undermine confidence which had been boosted at first by favourable reports on retail sales from the Confederation of British Industry.

An early gain of 11 points on the Footsie was cut back after official statistics for March showed a fall of 0.3 per cent in domestic manufacturing output and of 1.3 per cent in industrial production. This cast a shadow over the progress of the economic recovery implied by the CBI report.

Equities had also been helped at the opening of trading by favourable corporate trading reports. Results from British Airways were overshadowed by the expected rights issue which, at £442m, was a shade smaller than the market had been expecting. Profits and dividend from Marks and Spencer, the premium high street retailer, were well received and, although the shares turned down later, traders rejected market gossip of a possible rights issue.

The UK economic data unsettled equities, which were soon given further downward impetus from the stock index futures, where the June Footsie contract dipped to a discount to fair value for much of the session.

With the institutions clearly taking a reserved attitude – retail business only just cleared the £1bn mark on Monday – shares extended their losses.

However, the more significant blow to the market came when London traders caught the hint of New York worries that the revived concern over inflation may prompt the Federal Reserve to raise interest rates. With hopes of a rate cut at today's Bundesbank meeting also fading fast, the UK market fell more than 12 points to a day's low of 2,845.9. London's unhappiness was pressed home by an early decline of 16 points in New York's Dow Industrial Average.

At the close the FT-SE 100 Index, sustained by a rally in stock index futures, was down 10.8 on the day at 2,847.3. Although Seaq volume increased to 633.4m shares from the previous day's 533.8m, traders stressed that genuine customer business remained relatively poor.

Continued activity among the second line issues brought a gain of 5.2 to 3,151.2 in the FT-SE Mid 250 Index, which earlier mounted another challenge to its previous peak of 3,154.7. Non-Footsie trades made up only about 56 per cent of the day's total, however, reflecting the concentration on a heavy list of blue chip profits announcements.

London strategists put the best face possible on yesterday's market performance, but admitted that uncertainty over the pace of the economic recovery in the UK has been joined by worries over the outlook in continental Europe and in the US.

Warnings of competitive strains in the food industry from BSN, of France, unsettled Unilever and some other food industry issues – although these factors were counterbalanced by renewed hints of impending acquisition moves.

Nor did confirmation of British Airways' funding move, and firm rejection of any such plans by Allied-Lyons, remove the market's fears that it could be hit by further rights issues on top of the BT III sale and a heavy funding programme in the gilt-edged market.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	18,000	68½	+1½
Abbey National†	3,000	411	+1
Albert Fisher	3,100	67	
Allied-Lyons†	4,900	543	
Amstrad	1,300	33½	+1½
Anglian Water†	1,200	475	+3
Argos	151	305	+2
Argyll Group†	8,500	307	-6
Arjo Wiggins†	1,700	181	+2
Ass. Brit. Foods†	271	474	-3
Ass. Brit. Ports	317	414	
BAA†	325	746	+1
BAT Inds.†	4,500	844	-24
BET	3,700	102	+5
BICC	1,200	376	+7
BOC†	2,000	681	-17
BP†	4,400	315	-1½
BPB Inds.	1,100	234	-8
BT†	7,300	417½	
BTR†	2,400	581	-9
Bank of Scotland†	677	135	-1
Barclays†	4,900	446	+7
Bass†	624	533	
Blue Circle†	1,700	284	-6
Booker	1,100	358	-9
Boots†	2,700	449	-7
Bowater†	2,900	482	-1
Brit. Aerospace	812	324	+8
British Airways†	3,300	[illegible]	[illegible]
British Gas†	3,800	282½	-1
British Land	2,000	388	+6
British Steel†	5,600	98	+½
Bunzl	378	171	
Burmah Castrol†	865	710	-7
Burton	12,000	65½	+½
Cable & Wire†	2,800	719	-2
Cadbury Schweppes†	1,200	447	-9
Calor Group	1,600	245	-3
Carlton Comms.†	1,000	793	+5
Coats Viyella†	4,500	237	+3
Comm. Union†	426	580	+3
Cookson	1,500	198½	+2½
Courtaulds†	840	537	-6
Dalgety	746	437	-2
De La Rue†	179	657	-2
Dixons	217	213	-4
Eastern Elec.	957	451	+1
East Midland Elec.	750	440	
Eng China Clays†	1,400	448	+4
Enterprise Oil†	817	475	-7
Eurotunnel Units	323	385	+1
FKI	3,800	135	
Fisons†	4,600	165	-7
Foreign & Col. I.T.	565	225½	+2
Forte†	2,200	192	-3
Gen. Accident†	336	577	
General Elect.†	11,000	319	+2
Glaxo†	3,900	652	-3
Glynwed Int.	3,700	304	-1
Granada†	1,800	405	-3
Grand Met.†	3,000	405	-10
GUS A†	591	1647	+24
GRE†	1,400	173	-1
GKN	835	443	
Guinness†	3,000	478	-2
HSBC (75p shs)†	807	674	-3
Hammerson 'A'	654	314	+8
Hanson†	10,000	237¼	-5¼
Hanson Warrants	2,680	23¼	-1¼
Harrisons Crosfield	3,000	180	+2
Hillsdown	1,900	151	-4
IMI	481	266	
ICI†	1,800	1260	+2
Inchcape†	1,900	572	+6
Johnson Matthey	772	472	-7
Kingfisher†	1,000	615	+4
Kwik Save†	319	792	-1
Ladbroke†	10,000	184	+7
Land Securities†	2,800	569	+11
Laporte	45	617	-7
Legal & General†	1,600	480	+6
Lloyds Abbey	149	453	
Lloyds Bank†	4,100	542	-3
LASMO†	4,400	154	
London Elec.	1,200	450	+1
Lonrho	2,900	114½	+1
Lucas	3,800	137	-1
MB Caradon†	1,200	315	+3
MEPC	621	426	+8
MFI	759	187	-½
Manweb	489	504	+2
Marks & Spencer†	12,000	345½	-9½
Midlands Elect.	1,200	461	-4
Morrison (Wm.)	318	156	+1
NFC†	2,300	247	+1
NatWest Bank†	2,200	472	+1
National Power†	2,600	333	+9
Next	3,400	175	+5½
North West Water†	1,600	485	+3
Northern Elect.	1,100	485	
Northern Foods†	3,100	272	+3
Norweb	[illegible]	[illegible]	[illegible]
Pearson†	[illegible]	[illegible]	[illegible]
P & O†	[illegible]	[illegible]	[illegible]
Pilkington	[illegible]	[illegible]	[illegible]
PowerGen†	[illegible]	[illegible]	[illegible]
Prudential†	[illegible]	[illegible]	[illegible]
RMC	[illegible]	[illegible]	[illegible]
RTZ†	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]
Rank Org.†	[illegible]	[illegible]	[illegible]
Reckitt & C[illegible]	[illegible]	[illegible]	[illegible]
Redland†	[illegible]	[illegible]	[illegible]
Reed Intl.†	[illegible]	[illegible]	[illegible]
Rentokil†	[illegible]	[illegible]	[illegible]
Reuters†	[illegible]	[illegible]	[illegible]
Rolls Royce	382	148	+1
Rothmans†	644	631	-15
Ryl Bk Scot[illegible]	1,700	273	+1
Royal Insur[illegible]	839	305	+1
Saatchi	278	172	-1
Sainsbury†	1,100	456	-3
Scottish & N[illegible]	503	463	
Scot. Hydro-[illegible]	451	329	+3
Scottish Pow[illegible]	1,800	311	+4
Sears†	8,700	102	
Sedgwick	3,200	167	-3
Seeboard	177	465	+1
Severn Trent	1,300	477	-1
Shell Transport†	1,100	610	+½
Siebe†	360	461	+1
Slough Ests	1,400	194	
Smith (W.H.) A	238	438	-2
Smith & Nephew†	8,000	142½	-1
SmithKline Beecham†	2,300	479	-2
SmKl Beecham Uts.†	7,200	423	-7
Smiths Inds.	232	354	-3
Southern Elect.†	1,100	446	-1
South Wales Elec.	45	515	+3
South West Water	51	499	
South West. Elect.	76	470	-1
Southern Water	429	490	+2
Standard Chartd.†	594	731	+8
Storehouse	559	205	-2½
[illegible]	615	334	+3
[illegible]	1,900	169	-½
[illegible]	1,100	328	-4
[illegible]	847	184	-1
[illegible]	2,600	138	-3
[illegible]	1,300	260	-3
[illegible]	3,700	114	+5
[illegible]	6,000	315	-4
[illegible]	1,400	496	+3
[illegible]	837	634	-1
[illegible]	4,600	227	+1
[illegible]	3,600	96½	-½
[illegible]	304	350	-4
[illegible]	4,500	1036	-22
[illegible]	2,900	412	-9
Utd. Newspapers	321	588	+2
Vodafone†	2,100	416	+1
Warburg (SG)	314	703	+2
Wellcome†	1,600	749	-6
Welsh Water	120	856	+1
Wessex Water	625	571	-1
Whitbread 'A'†	3,300	487	+5
Williams Hldgs.†	1,100	330	
Willis Corroon	1,200	189	+2
Wimpey	904	161½	+1
Wolseley	295	880	+5
Yorkshire Elect.	870	901	+1
Yorkshire Water	720	613	-3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

First Dealings:		
May 10	May 24	Jun 7
Option Declarations:		
May 20	Jun 3	Jun 17
Last Dealings:		
May 21	Jun 4	Jun 18
Account Day:		
Jun 1	Jun 14	Jun 28

*New time dealings may take place from 8.30am two business days earlier.

Positive stance on generators

A CHANGE of stance by one of the market's leading securities houses saw the two English power generators substantially outperform the utilities areas and the wider market.

S.G. Warburg Securities was said by dealers to have shifted its recommendation on National Power and PowerGen from "add" to "buy". Warburg was said to have emphasised the two companies' "extremely encouraging" dividend growth prospects, and to have told its clients that it was not unduly concerned by the supposed regulatory threat to the two stocks.

National Power raced up to end 9 higher at 333p on turnover of 2.6m shares, while PowerGen settled the same amount to the good at 343p after trade of 3.1m.

Along with other brokers, Warburg expects the generators to achieve dividend increases of 15 per cent or more over the next few years. The regional electricity companies are scheduled to report preliminary results starting next month and are expected to post dividend rises of up to 15 per cent.

Scottish Power, expected to announce a 10 per cent increase in the dividend total when it announces its full year results tomorrow, moved up 4 to 311p.

The strength of the generators' shares powered the electricity sub-sector of the FT-Actuaries Indices to a 1.1 per cent rise, compared with a 0.3 per cent gain in the water sub-sector and a 0.4 per cent decline in the FT-SE 100 Index.

Food stocks hit

Reports of aggressive views from the chairman of French food manufacturer BSN hit related stocks in the London market. Mr Antoine Riboud said that BSN was being pressured by retailers to lower prices. While resisting this, he said the group would respond aggressively on price to protect its market share. Food specialists also took fright at comments on the downturn in trading in Europe as recession took its toll.

United Biscuits fell 9 to 412p. BSN is the top biscuit producer in Europe. Unilever, which competes with BSN on some frozen products, lost 22 to 1036p. Northern Foods also retreated, by 8 to 262p, while Cadbury Schweppes relinquished 9 to 447p.

Blue chip caution

International conglomerate BAT Industries and Hanson failed to inspire the market with their respective trading statements and results yesterday.

BAT, which has suffered heavily over US cigarette price war worries, was particularly badly hit as a cautious annual statement highlighted the sluggish world economy and the continuing US worries. The shares fell 24 to 844p.

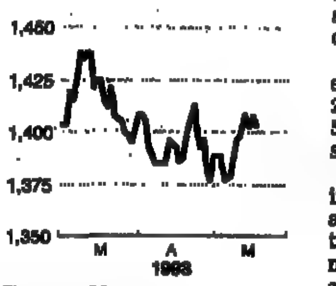
Hanson's half-year profits of £507m were at the top end of forecasts but the company said most of its markets remained gripped by recession and it would see little, if any, boost in 1993 from the tentative evidence of an upturn. Investors saw a chance to take profits and sold the shares down 5¼ to 237¼p on hefty 10m turnover.

Mr Paul Beaufrere of agency broker James Capel favours Hanson over BAT but argues that both companies were now offering a solid yield above 6 per cent and should be bought by long term investors.

Marks easier

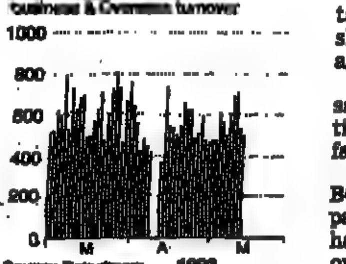
Up-market retailer Marks and Spencer saw its shares roller coaster through a 20-point turnround as it reported full-year results. The figures came in at the top end of expectations and the shares surged on the news. However, a seemingly downbeat analysts meeting, followed by further inspection of the results, saw the shares marked sharply back. They finished the day 9½ down at 345½p in turnover of 12m. Kleinwort Benson was one of a number of brokers said to have moved the stock off its buy list to a hold.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Source: Datastream 1993

Stores specialists said that while the figures confirmed Marks' premium market rating, the prospective earnings growth was around half the average forecast for the All-Share in the next year. "Investors are looking for more dynamic recovery stocks than M&S," was the comment from one stores analyst. One of the issues to unsettle the market and compound the uncertainties over earnings growth was the size of the company's proposed wage award. Rumours late in the day that M&S might be considering a fund-raising exercise to tie into low interest rates were dismissed by analysts.

TV stocks firm

Television stocks perked up on the the implications of the sale by W.H. Smith of its 14 per cent stake in Yorkshire Television.

Smiths sold its 7m shares at 200p apiece to LWT Holdings which subsequently announced that its was taking over Yorkshire's crumbling advertising sales section. The stake sale had been anticipated for some time and had prompted a certain amount of bid speculation. The appearance of LWT removes the potential bid value but replaces it with a more comforting shareholder fit and a much needed advertising boost, analysts said. The shares rose 13 on the news and closed 6 higher at 178p.

The focus on advertising also encompassed Anglia, up 7 at 286p and Scottish 6 better at 569p. Meanwhile, W.H. Smith slipped 2 to 438p.

Switching from Lloyds Bank into Barclays saw the latter advance 7 to 446p on hefty turnover of 4.9m and the former slip 3 to 543p on 4.1m shares traded.

First-quarter figures from Sedgwick the insurance broker were £1.5m below most expectations. Sedgwick shares slipped 3 to 167p on above average turnover of 3.2m.

Fisons shed 7 to 165p as the sale of its north American horticulture business for $60m failed to reassure.

Gases and healthcare group BOC fell 17 to 681p as the company announced improved first half profits but said that the outlook was sluggish.

GEC was among the market's most heavily traded stocks closing 2 harder at 319p with at least two leading broking houses said keenly supporting the shares.

Linx Printing Technologies slumped 36 to 139p, after 121p, following a profits warning.

The market appreciated the terms of the well signposted rights issue from British Airways. The £442m cash call was announced with year end results of £185m, at the bottom end of market expectations. However, analysts were encouraged by the fact that one-off items had played a significant part in the profits decline and future prospects looked good. The shares finished 9 better at 306¼ in trade of 3.3m.

Securiguard, the business services group, jumped 104 to 289p, after environmental services company Rentokil surprised the market by launching a hostile £59.2m bid to help its move into security services in the UK and USA.

The company urged investors not to accept the 270p a share offer and analysts predicted a long battle. The shares are tightly held and turnover was thin. Rentokil fell 4 to 193p.

Fears of stiffer US competition for TI Group prompted the shares to fall 5 to 325p. The fears surround TI's landing gear manufacturing business following the takeover of a US rival.

The 95 per cent decline in interim profits at Fenner left the shares 6 lighter at 77p.

Results from Allied Lyons came in line with market forecasts and the shares marked time at 543p.

Leading textiles groups were boosted by the Marks & Spencer figures which hinted at improved volumes. S.G. Warburg's textile analyst said there were relative merits for the suppliers. Coats Viyella rose 3 to 237p ahead of a presentation by Car Kitcat & Aitken on Friday. Courtaulds Textiles gained 10 to 544p.

MARKET REPORTERS:
Christopher Price, Steve Thompson, Peter John, Joel Kibazo.

■ Other statistics, Page 26

FINANCIAL TIMES EQUITY INDICES

	May 18	May 17	May 14	May 13	May 12	Year ago	* High	* Low
Ordinary share	2218.5	2224.9	2218.4	2215.5	2231.1	2129.6	2299.5	2124.7
Ord. div. yield	4.21	4.18	4.19	4.20	4.16	4.32	4.52	4.07
Earning yld % full	6.08	6.19	6.21	6.22	6.26	6.10	6.38	5.79
P/E ratio net	20.24	19.96	19.88	19.85	19.78	20.57	22.04	19.40
P/E ratio nil	18.89	18.64	18.57	18.54	18.49	19.12	20.30	18.14
Gold Mines	165.6	169.8	165.1	161.5	150.1	112.0	168.8	80.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2228.5	2230.9	2233.2	2227.6	2225.8	2219.4	2219.2	2219.1	2214.6	2233.4	2214.2

Volume	May 18	May 17	May 14	May 13	May 12	Year ago
SEAQ Bargains	28,598	30,271	28,016	29,260	28,387	27,447
Equity Turnover(£m)†	-	1023.2	1151.7	1572.4	1744.4	992.3
Equity Bargains†	-	34,793	31,118	33,502	35,031	33,680
Shares traded (ml)†	-	504.8	533.0	711.1	695.2	480.9

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (157).
AMERICANS (1) Allegheny & Wstn., CANADIANS (1) Gulf Can., BANKS (1) Mitsui T & B, BREWERS (1) Wolverhampton, BLDG MATLS (7) BMSS, Blockleys, Gibbs Dandy, Lilleshall, RMC, Sharpe & Fisher, Sheffield Instins., BUSINESS SERVS (3) Dart, Page, Securiguard, CONGLOMERATES (4) AGA, [illegible] of Lon., Wood (JD), STORES [illegible] French Cnctn., Marks & Spencer, Next, Partridge, TEXTS (6) Albion, Dewhirst, Gaskell, Ingham, Leeds, Readicut, Rexmore, Stirling, TRANSPORT (2) Brit. Airways 9⅝pc Cv., Sea Cntrs., SOUTH AFRICANS (1) Gold Fields, MINES (12).
NEW LOWS (28).
BRITISH FUNDS (3) Treas. 12½pc '93, Exch. 13¼pc '94, Exch. 15pc '97, BREWERS (1) Greenalls, BLDG MATLS (1) Chieftain, BUSINESS SERVS (2) Holmes Protn., Rentokil, CHEMS (1) Allied Colloids, CONTG & CONSTRCN (1) Donelon Tyson, ELECTRONICS (2) Linx, Molynx, ENG GEN (1) APV, FOOD MANUF (4) BSN, Booker, Unilever, Yorks., FOOD RETAILING (2) Appleby Westward, Argyll, HEALTH & HSEHOLD (6) Bespak, Brit. Bio-Tech., London Intl., Reckitt & Colman, Do 9⅝pc Cv. Bd., Smith & Nephew, INV TRUSTS (1) Henderson Highland Wts., MISC (1) Pentland, PROP (1) Micklegate, MINES (1) MIM.

EQUITY FUTURES AND OPTIONS TRADING

A BOUT of nerves concerning interest rates in both the US and Germany, worries over the outcome of yesterday's referendum in Denmark on the Maastricht treaty, and poor economic UK data combined to bring a retreat in stock index futures, writes Joel Kibazo.

The June contract on the FT-SE 100 opened at 2,864, around the level of the previous night's close, but drifted down on concern about the progress of polling in Denmark and on whether the Bundesbank will reduce interest rates today.

The release at 11.30am of UK industrial output figures showing a 1.3 per cent fall served to increase the downward pressure on the contract.

Worries about US interest rates and the poor performance of Wall Street brought a further decline and June fell to the day's low of 2,854, although bargain hunting saw it come off the bottom to close at 2,858, around 7 points ahead of its fair value premium to cash. Turnover remained light, totalling 7,527 lots.

In traded options, volume improved to reach 29,395 contracts, of which 7,163 were dealt in the FT-SE 100 option and 1,995 in the Euro FT-SE 100 option. Hanson, which reported figures yesterday, was the busiest stock option at 4,055 lots. It was followed by Marks and Spencer, which also reported figures, at 2,038. Glaxo, BT and BTR were other active stock options.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2847.3 -10.8	3151.2 +5.2	1403.74 -3.32

	May 18	Day's change %	May 17	May 14	May 13	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2847.3	-0.4	2858.1	2847.0	2849.3	2700.6	6.29	4.00	19.82	41.01
FT-SE Mid 250	3151.2	+0.2	3146.0	3142.3	3151.9	2805.7	5.95	3.70	21.53	34.52
FT-SE-A 350	1417.8	-0.3	1421.4	1416.8	1418.6	1326.8	6.22	3.93	20.18	19.33
FT-SE SmallCap	1603.49	+0.2	1600.98	1598.91	1598.39	-	4.56	3.56	30.97	17.82
FT-SE SmallCap ex Inv Trusts	1614.02	+0.2	1611.05	1609.40	1608.78	-	5.05	3.76	28.83	18.63
FT-A ALL-SHARE	1403.74	-0.2	1407.06	1402.58	1404.29	1312.07	6.11	3.91	20.62	18.92
1 CAPITAL GOODS(213)	984.48	-0.1	985.71	983.70	982.75	922.91	4.78	3.91	28.04	14.35
2 Building Materials(27)	1094.89	-0.8	1103.27	1096.82	1093.57	1104.45	4.63	4.43	29.46	18.33
3 Contracting, Construction(29)	987.76	+0.5	982.36	976.84	976.95	1052.01	1.89	3.36	80.00†	11.57
4 Electricals(15)	2888.59	+0.6	2871.61	2870.40	2887.60	2744.49	5.18	4.68	24.58	65.13
5 Electronics(37)	2875.38	+0.6	2858.79	2854.65	[illegible]	[illegible]	5.92	2.99	21.38	19.74
6 Engineering-Aerospace(7)	387.32	+0.9	383.82	383.14	381.62	402.23	‡	3.81	‡	4.81
7 Engineering-General(51)	562.88	-0.1	563.15	563.68	566.04	508.03	6.80	3.75	18.50	7.08
8 Metals & Metal Forming(11)	423.20	-0.1	423.73	422.98	423.47	374.19	4.08	2.91	35.18	0.68
9 Motors(18)	393.99	-0.5	396.00	395.20	400.79	387.24	5.04	5.60	28.40	9.52
10 Other Industrials(18)	2021.29	-0.5	2031.29	2030.00	2021.28	1892.73	5.63	4.06	21.71	37.39
21 CONSUMER GROUP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

BRITISH FUNDS

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs	18 xd	+	20	15	15,326	2.3
Allegheny & W ♥	605p	+85	605p	399p	314.4	3.1
Amdahl	352p	+2	591p	302½p	396.3	0.9
Amer Cyanamid	33	+	38	31	3,054	3.1
Amer Express	17 xd	—	19½	14	8,514	3.6
Amer T & T	38 xd	+	40	33	48,042	2.3
Ameritech	47	–	52	46	20,833	4.9
BankAmerica	29 xd	–	38	27	10,283	3.0
Bankers NY	45 xd	+	51	42	3,846	4.3
Bell Atlantic	34	—	39	32	14,718	5.0
BellSouth	33½	–	38	32	18,549	5.2
Bethlehem Steel ♥	13¼ xd	—	13	10	1,189	–
Bowater	1399p xd	+1	1682p	1335p	506.9	1.8
CPC	28 xd	+	34	26	4,307	2.8
Cadiz Land Inc ♥	77½p	—	115p	53p	–	–
California Engy	1358p	—	1479p	1085p	247.2	–
Chase Manhattan	18¾ xd	—	24½	17	2,926	4.1
Chrysler	27 xd	+1	28	21¼	8,181	1.4
Citicorp	17¾ xd	+	20	13	6,488	–
Colgate–Palm	38½ xd	+	45	35¼	8,147	2.0
Cont'l Bank	1487p	[illegible]	[illegible]	[illegible]	1,512	2.5
Dana	32¼ xd	+	34	29	1,475	3.2
Data General	663p	+29	951p	593p	182.9	–
Decora Inds ♥	138p	—	148p	109p	–	–
Dun & Brad	38½	–	42	37	6,882	4.0
Eaton	58	–	59	50	1,941	2.5
Echlin	16¼ xd	–	18	15	960.0	2.8
FPL	24¼ xd	–	27	23¼	4,498	6.3
Ford Motor	35 xd	+1	38	28	17,511	1.8
Gen Elect	61¼ xd	+	62	53	82,309	2.8
General Host ♥	588p	+12	723p	568p	–	3.8
Gillette	33¼ xd	+	42	31½	7,416	1.8
Hasbro	20	—	20	20	1,819	0.7
Honeywell	22 xd	—	24	20	3,135	2.5
Houston Inds	28¼	+	33	28½	3,723	6.6
Ingersoll–Rand	21 xd	–	25	19	2,278	2.0
Lockheed	41	–	42	35	2,515	3.3
Lowe's h	2289p	+234	2338p	1573p	1,877	0.8
Merrill Lynch	44 xd	+	50	37	4,611	1.7
Morgan (JP)	42 xd	+	48	38	8,215	3.5
Morris (Philip)	33¼ xd	+	52	28	30,986	3.3
NYNEX	53¼	–	64	53	11,101	5.4
Pall	12 xd	—	15	11	1,452	1.6
Pennzoil	42 xd	+	43	31	1,716	4.5
Quaker Oats	45 xd	+	48	39	3,312	2.8
Rockwell	20 xd	+	22	18	4,592	3.0
Rep NY	31 xd	+	37	29	1,688	2.1
Sears, Roebuck	34 xd	+	37	28	[illegible]	2.9
Sthwestern Bell	49	–	52½	48	14,731	3.7
Sun Co.	16 xd	+	21	14	1,740	6.9
Tenneco	32 xd	—	33½	25½	5,463	3.1
Texaco	41 xd	–	44	37	10,835	4.8
Time Warner h	22 xd	+1¼	25	18	8,521	0.8
UniCab ♥	393p	–13	450p	352p	[illegible]	–
US West	28	–	30	24	10,827	6.2
Varity	2012p	+12	2260p	1698p	608.4	–
Waste Manage	20½ xd	–	27	19	10,024	1.8
Whirlpool	3518p xd	+39	3720p	2824p	[illegible]	2.2
Woolworth ♥	18	+	21½	18	2,483	3.7

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Smith & Williamson Unit Tst Mgrs (1600)F

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Unit Management Ltd

Funds in Court*

Albany Life Assurance Co Ltd - Contd.

Allied Dunbar Assurance Plc

Citibank Life - Contd.

Family Assurance Society

Homeowners Friendly Society

M & G Life and M & G Pensions

Norwich Union Life Insurance Soc. - Contd.

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Providence Capital Life Assc. Co Ltd - Contd.

Alpha Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Alpha	278.4		+0.7	-
US Alpha	117.8		+1.4	-
Gilt Alpha	84.7		-	-
Gold Alpha	87.7		[illegible]	-
Japan Alpha	43.5		-0.7	-
US Dollar Alpha	74.3		+0.8	-
Yen Alpha	78.0		+0.1	-
DM Alpha	89.5		-0.1	-
European Alpha	84.0		-0.4	-

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

Gold Range (Pensions)

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Fund	158.3		+0.3	-

Provident Mutual Life Assc. Assn.

6 Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	412.3	434.0	+0.7	-
Managed Init	292.4	307.8	+0.5	-
Equity Ord.	620.0	652.8	+1.4	-
Equity Init	439.7	462.8	+0.9	-
Index Linked Gilt Ord.	191.5	201.6	+0.2	-
Index Linked Gilt Init.	141.8	149.3	+0.1	-
Overseas Equity Ord.	327.8	345.1	+0.8	-
Overseas Equity Init	232.5	244.7	+0.5	-
Property Ord.	225.0	236.8	-	-
Property Init	159.6	168.0	-	-
Fixed Interest Ord.	256.1	269.6	-	-
Fixed Interest Init.	181.7	191.3	+0.1	-
Deposit Ord	198.0	208.3	-	-
Deposit Init	139.0	146.3	-	-

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

Life Funds (First Series)

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	398.0	419.0	-0.50	-
Equity	499.6	525.9	-1.40	-
Property	239.4	252.0	-	-
International	388.5	409.0	+0.10	-
Japanese	111.7	117.6	-0.60	-
Asia Pacific	137.3	144.6	+0.90	-
European	106.6	112.3	+0.30	-
American	136.2	143.4	+0.80	-
Fixed Interest	331.3	348.8	+0.60	-
Index-Linked Gilt	182.2	191.8	+0.30	-
Cash	219.4	231.0	-0.10	-

Life Funds (Second Series)

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	110.7	116.8	-0.20	-
Equity	107.3	113.0	-0.40	-
Property	100.6	105.9	-	-
International	120.0	126.4	-	-
Japanese	111.9	117.8	-0.90	-
Asia Pacific	134.8	141.7	+0.80	-
European	105.7	111.3	+0.20	-
American	133.0	140.1	+0.80	-
Fixed Interest	124.5	131.1	+0.20	-
Index-Linked Gilt	116.4	122.6	+0.10	-
Cash	108.8	114.6	+0.10	-

Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Building Society	172.8	181.9	-	-
Managed (Init)	230.5	242.7	-0.40	-
Managed (Acc)	454.1	478.1	-1.10	-
Equity (Init)	260.8	274.6	-0.80	-
Equity (Acc)	513.7	540.8	-2.00	-

Sun Alliance Group - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Fram America Turnaround	157.0	165.3	+0.5	-
Fram Capital Tst	147.9	155.7	-	-
Fram Intl Growth	159.5	167.9	+0.4	-
Fram Japan & General	215.7	227.1	-	-
Fram Recovery Tst	220.4	232.0	+0.7	-
GT Special Mngd	147.3	155.1	+0.8	-
GT Amer Spec Sits	168.5	177.4	-3.9	-
GT Capital	177.0	186.4	+1.4	-
GT European	129.7	136.6	+0.8	-
GT Far East & Gen.	169.5	178.5	+0.5	-
GT International	140.0	147.4	+0.5	-
GT Japan & General	131.1	138.0	-	-
GT US & General	189.9	199.9	+1.4	-
Quadrant Intl	97.90	103.1	+0.1	-

Broker Funds

	Bid Price	Offer Price	+ or -	Yield Gross
SunAbbey	99.70	105.0	-0.1	-
[illegible]	97.60	102.8	[illegible]	-
EBS Deposit	108.9	114.7	-	-
EBS Equity	117.3	123.5	-0.2	-
EBS Managed	400.0	421.1	+0.7	-
LAS Pens	248.5	261.6	+0.1	-
Radcliffe Trustee Pens	145.9	153.6	-	-

Phoenix Life Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Wealth Assured	560.8	590.8	-	-
Ebor Phoenix Eqty	430.0	469.7	-	-

Phoenix Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Special Mnged	244.4	257.2	+0.3	-
Building Society	233.4	245.8	-	-
Equity	276.1	290.6	+0.5	-
Fixed Interest	247.0	260.0	+0.1	-

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Victory Hse, Prospect Hill, Douglas, IoM 0624 677877

	Bid Price	Offer Price	+ or -	Yield Gross
European Equity	93.7	100.7	-	-
Far Eastern Equity	$1.494	1.600	-	-
North American Equity	$1.065	1.145	-	-
UK Equity	115.2	123.8	-	-
UK Gilt & Fixed Int	94.7	101.8	-	-
Dollar Deposit	$0.675	0.725	-	-
Sterling Deposit	92.3	99.2	-	-
Managed Currency	79.7	85.6	-	-
International Managed	105.9	113.8	-	-
Inv Mkt Intl Global Pen £	51.0	53.6	-	-
Inv Mkt Intl Global Pen $	$0.779	0.819	-	-

For Abtrust Intl see Century Life Intl

Albany International Assurance Ltd

St Mary's, Castletown, Isle of Man 0624 823262

	Bid Price	Offer Price	+ or -	Yield Gross
Global Sterling Fd	£7.327		+0.020	-
UK Sterling Fd	£1.088		+0.013	-
European Sterling Fd	£1.293		-0.003	-
Japan Sterling Fd	£0.821		-0.007	-
Nth American Sterling	£1.500		+0.018	-
Pacific Basin Stlg	£1.507		+0.023	-
U.K. Blue Chip Stlg	£1.591		+0.008	-
Csd Money Sterling	£1.880		-	-
Global Dollar Fd	$1.032		-0.001	-
Uk Dollar Fd	$1.207		+0.012	-
European Dollar Fd	$1.166		+0.010	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Standard Bank Fund Mgmt (Jersey) Ltd
PO Box 583, St Helier, Jersey CI 0534 67557

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl. Bond (Daily)	5¼	£-	15.70	16.64	—	4.83
Sterling Bond (Daily)	5¼	£-	9.776	10.11	—	7.72
Sterling Cap (Daily)	—	£-	42.33	42.33	+0.01	5.75

TSB Trust Funds (CI)
PO Box 538, St Helier, Jersey 0534 73494
TSB Offshore Investment Fund Ltd

	Init Chrge	Bid Price	Offer Price	+ or -	Yield Gr's
Stg Deposit Class	3	101.91	101.91		
Gilt & Fixed Interest	5	115.96	115.96	+0.02	5.00
Blue Chip & Gilt Edged	5	58.62	58.62		
International Bond	5	133.19	133.19		
UK Equity	5	245.50	252.93		
International Equity	5	172.92	174.81		
Far Eastern	5	160.57	162.70		
European	5	121.68	121.86		
Pan American	5	327.29	324.37		

TSB Gilt Fund Ltd

	Init Chrge	Bid Price	Offer Price	+ or -	Yield Gr's
Quarterly Share	3	104.73	104.73	+0.06	7.77
Monthly Share	3	103.36	103.36	+0.06	7.67

JERSEY (REGULATED)(**)

Barclays Intl Funds
Asian Selection Funds

	Bid Price	Offer Price	+ or -	Yield Gross
China	$9.737	10.249	-0.048	0.0
Hong Kong	$29.640	31.200	+0.059	0.4
Indonesia	$9.301	9.790	-0.137	0.0
Korea	$11.031	11.612	-0.112	0.0
Malaysia	$18.216	19.175	+0.313	0.0
Philippines	$17.628	18.551	-0.068	0.0
Singapore	$12.916	13.596	-0.029	0.0
Thailand	$20.148	21.208	-0.134	0.0
South East Asia	$25.470	26.811	+0.246	0.0
US Dollar Liquidity	$9.658	10.036		0.9

Cater Allen Investment Management (CI)

	Bid Price	Offer Price	+ or -	Yield Gross
CA Gilt Income	£5.85	6.12xd		10.34
CA Equity Gwth	£4.60	4.69	+0.12	2.16

Citibank (CI) Ltd "Citifunds"
Short term Investment Funds
Irish £ May 13 — 194.8218
Equity Funds
Japan Equity May 13 — $9.7997
US Em Hlth May 17 — $21.0638
US Em Tech May 17 — $24.3332
Chicorp May 17 — $32.3457
Bond Funds
HYB (A) May 17 — $94126.716
Special Assets (B) May 4 — FFr11423.463

Citibank N.A.
Libra 2000 Feb 28 — $99.62
Libra 2000 Inst Feb 28 — $99.62

Coutts & Co (Jersey) Fund Managers Ltd
Coutts Money Market Fund Ltd
Dollar Class — $39.5330
Sterling Class — £27.5707
D-Mark Class — DM66.2734
Japanese Yen Class — Y8042.5244
Ashburton Replica Portfolio Ltd
Ashburton Replica P'folio Ltd £ — 11.75 — 12.03 — +0.01
Ashburton Replica P'folio Ltd $ — $10.36 — 11.42

EBC Fund Managers (Jersey) Ltd
EBC Traded Currency Fund Ltd*
Income — $14.80 — 15.284 — +0.010 — 1.26
Capital — $23.31 — 24.030 — +0.001
*Offer price includes 3% prelim. charge
International Income Fund*
Eurobd Long Term-US$ — $33.45 — 34.9727 — -0.0414 — 4.84
Eurobd Long Term-DM — DM — 1.94
* Offer Price includes 3½% Initial Charge

EquitiLink International Mngt Ltd
First Aust Prime Inc Inv Co Ltd NAV May 14 C$13.63
First Aust Prime Inc Inv Co Ltd NAV May 14 US$10.94
NAV Diluted to reflect exercise of all Wrnts C$13.25 US$10.43

Fleming Group
Robert Fleming Management (Jersey) Ltd
Czechoslovakia Inv Corp Inc — $9.46
Deutschland Inv Co NAV — DM15.65

Foreign & Colonial Mngmt (Jersey) Ltd
Hypo Foreign & Colonial Reserve Asset Fd Ltd
US$ Cash — $11.002 — +0.001
Sterling Cash — £12.796 — +0.002
US$ Bonds — $16.352 — -0.013
Multicurrency Bonds — $21.412 — -0.099
Sterling Bonds — £15.203 — -0.031
D Mark Bonds — DM11.905 — -0.029
European Bonds — Ecu13.180 — -0.013
UK Equities — £11.778 — -0.026
US Equities — $17.536 — +0.021
Japanese Equities — Y801.2 — -2.1
Cont Euro Equities — DM10.349 — +0.041
UK Negative Equities — £11.070 — +0.032
US Negative Eq — $9.597 — -0.012
Japanese Negative Eq — Y808.9 — +3.0
Cont Eur Negative Eqt — DM9.813 — -0.014
UK Geared Equities — £11.281 — -0.065
US Geared Equities — $10.241 — +0.003
Japanese Geared Eqs — Y1238.8 — -7.7
Cont Euro Geared Eqs — DM10.368 — +0.033
Gold — $10.638 — -0.028
Protected Capital Plus — £10.667 — +0.007

Greece Fund Ltd
NAV May 13 — $15.50

John Govett Management (Jersey) Ltd

INVESCO International Limited
All Funds deal daily except where indicated.

Lloyds Bank Trust Co (CI) Mngrs
Lloyds Inst World Inv Port — £2.617 — 2.784xd — 0.56
Dealing Weekly on Thursday

Management International (Jersey) Ltd
Anchor Gilt Edge (z) — £9.86 — 9.91 — -0.08 — 9.46

Minerals, Oils Res. Shrs. Fd. Inc.
Morex May 13 — $15.24 — 15.68 — 2.57

Northgate Unit Tst. Mngr. (Jersey) Ltd
Pacific Fund May 13 — $40.92 — 42.46

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited
Lloyds Bank Trust Company (Channel Islands) Ltd
NAV May 7 — $4.42

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd
Ivory Growth Fund — £15.16 — 15.42 — 1.45
LPM Defensive Strtgy — £12.66 — 13.66

Royal Trust Intl Fd Mngt Ltd
Sterling Fxd Int Fd† — 101.10 — 101.20 — -0.30 — 9.80
International Bond Fd† — $1.173 — 1.184 — 6.07
†Prices on May 6.Next dealing May 12.

Schroder Mngt Services (Jersey) Ltd
Schroder Money Funds Ltd
Sterling — £57.3261 — 4.73
US $ — $49.1131
D-Mark — DM85.8463
Swiss franc — SFr78.8109
Yen — Y5205.04

Scimitar Worldwide Money Fund Ltd
Sterling — £26.1671 — +0.0044 — 6.01
US $ — $37.5926 — +0.0024
D-Mark — DM62.8577 — +0.0152
Japanese Yen — Y7765.0772 — +0.4188
Australian $ — A$42.3768 — +0.0039
Canadian $ — C$34.6730 — +0.0048
Ecu — Ecu18.7121 — +0.0035
US$ Managed — $38.2408 — 40.4544
Sterling Managed — £24.3707 — 25.1365

Scimitar Worldwide Selection Fd Ltd
Equity Class Funds
American — $15.31 — 15.95 — -0.08
Asian Smlr Mkts — $20.02 — 21.27 — +0.12
European — $10.89 — 11.35 — -0.12
Japanese — $31.49 — 33.48 — -0.81
Pacific Basin — $23.58 — 25.08 — -0.16
S'pore Indo Malaysian — $11.68 — 12.38 — +0.18
Utd Kingdom — £10.35 — 11.00 — +0.10
Worldwide — $17.28 — 18.39 — -0.07
Worldwide Guaranteed — $11.32 — 12.07 — +0.02
W'wide Guaranteed NAV — $11.34
Bond Class Funds
Ecu — Ecu9.307 — 9.84 — -0.009
Sterling — £9.794 — 10.35 — -0.01
US Dollar — $9.933 — 10.16 — -0.04
Worldwide

Scrimgeour Kemp-Gee Mngmt., Jersey
SKG Capital Fund — £5.265 — 5.592
SKG Income Fund — £0.803 — 0.853 — 4.91

TSB Trust Funds (CI)
TSB Jsy Equity Fd — 45.9 — 48.3 — 1.77
TSB G'sey Equity Fd — 45.9 — 48.3 — 1.77
TSB Island Pension — 477.3 — 502.6
TSB Gilt Fd (Jsy) Ltd — 104.73 — 108.15 — +0.06 — 7.77

Tyndall International (Jersey) Ltd
Gilt Fd — 120.7 — 128.9 — 7.08
(Accum Shares) — 745.9 — 793.3
Managed Currency Stlg — 131 — 139
International — 416 — 439 — 0.27

Warburg Asset Management Jersey Ltd

Worldinvest (Managers) Jersey Ltd
Valued weekly. * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

Abtrust Fund Mngrs Luxembourg SA (u)
13 rue Goethe L-1637 Luxembourg 010 352 4046461
Abtrust Atlas Fund

For Aetna Intl see Luxembourg (Regulated)

Banque Scandinave a Luxembourg SA
16 Boulevard Royal, L-2449, Luxembourg
Scandifonds

Barclays Diversified Portfolio
14 rue Aldringen L-1118 352 4799 2309

Barclays Inv Funds (Luxembourg)
41 Avenue de la Gare L-1611 010 352 404344
Equity Funds

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Equity ♦	5¼	£-	0.902	0.960		0.3
Intl Equity ♦	5¼	£-	1.398	1.488		0.5
North Am Eqty ♦	5¼	£-	33.61	35.75		0.3
Pacific Eq ♦	4¾	£-	0.651	0.732		0.5
UK Equity ♦	5¼	£-	1.066	1.105		2.8
Bond Fund						
International Bond ♦	3½	$-	97.95	102.41	-0.03	5.5

CMI Asset Management (Luxembourg) SA
203 route d'Arlon, L-1150 Lux 010 352 454925
CMI Managed Portfolio Investment Company (u)
CMI Global Network Fund (u)

Commercial Union Luxembourg SA (u)
41 Ave de la Gare L-1611 010 352 4020201
Commercial Union Privilege Portfolio
Amadeus Fund 010 352 408501

Creswale Group (u)
11 Rue Aldringen, L-1118 Luxembourg 071-387 9400

DB Investment Management SA
2 Boulevard Konrad Adenauer, Lux 010 352 421011

Den norske Bank
11 Rue Aldringen 2960 – Lux 010 352 468181

DISA Income Fund
DISA Income

Dolphin Intl Investments (u) SICAV
5 Gillspur Street, EC1A 9DD 071-248 4400

Dresdnerbank Asset Mngmt SA (u)
19 Rue Beaumont, L-1219 Luxembourg

E.T. Investment Management Ltd
18 Rue Goethe, BP 413, Luxembourg 010 352 4046401

Eagle Star – Global Assets Fund (u)
8 Rue Aldringen L-1118 Luxembourg
All funds are accumulating in Lux. Prices quoted are Sterling equivalent.

EquiFund–Wright National Eqty Fd (u) (x)
14 rue Aldringen, L-1118 Lux 010 352 47992954

Fidelity Funds (u)
Kansallis Hse, Place de L'Etoile, L-1021 Lux BP 2174
UK-0732 777377 Lux-010 352 250404 ext 439
Major Market Funds
Equity Select Funds
Bond Funds
Prices as at May 17

Five Arrows Asia Pacific Fund
20 Blvd Emmanuel Servais, Lux 010 352 4789461
Japan Recovery — $- — 13.44
Asian Opportunities — $- — 12.78

Fleming Group (u)
48 Rue Des Scillas L-2529 Howald Luxembourg
010 352 4890040 or 071-382 8015
Fleming Flagship Fund (daily dealing)
Fleming Flagship Series II (Daily Dealing)
*Weekly Dealing on Wednesdays

Gartmore Luxembourg SA (u)
39 Allee Scheffer, L-2520 Lux 010 352 4797470
Japan Warrant — $- — 0.87 — 0.90

Henderson Management SA (u)
60 rte de Treves, L-2633 Senningerberg, Lux
071-638 5757 or 010-352 348822
Henderson Horizon Fund

Hill Samuel Inv Services Intl SA (u)
Marktgasse 63/65, 3001 Berne, Switzerland 224061
Hill Samuel Global Portfolio

Hypo Foreign & Colonial Port Fd Sicav(u)
Exchange Hse, Primrose St EC2A 2NT 071-628 8000

INVESCO International Limited (u)
PO Box 271, St Helier, Jersey 0534 73114

Jupiter Tyndall Global Fund
13 rue Goethe L-1637 Luxembourg 010 352 404651

Kleinwort Benson Japanese Warrant Fund
14 rue Aldringen Luxembourg 010 352 4799-1
NAV — $- — 8.179

Kleinwort Benson Select Fund (u)
14 Rue Aldringen L-1118 Luxembourg 010 352 47991

Latin American Mngmt Group Ltd (u)
Exchange Hs, Primrose St, Ldn, EC2A 2NY 071-628 1234

Liberty ALL-STAR World Pfolio-Eqty Fd(u)
2 boulevard Royal, Luxembourg 010 352 45901
NAV (z) — $- — 11.18

Lloyds Bank Luxembourg
1, Rue Schiller, Luxembourg 010 352 4992121
Lloyds International Portfolio

Midland International Circuit Fund SICAV(u)
Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 606000

Nomura Global Fund (u)
1 St Martin's-le-Grand, EC1A 4NP 071 236 8811
Asia Pacific P'folio — $- — 7.80 — -0.08

PRICOA Worldwide Inv Portfolio Sicav (u)
6, Avenue J.P. Pescatore, L-2324 Lux (352) 478861

Regent Global Fund (u)
14 Rue Leon Thyes L-2636 010 352 4204671

Schroder International Selection Fd (u)
14 Rue Aldringen L-1118 Lux 010 352 4790 2465

Sun Life Global Management Ltd (u)
PO Box 22, Castletown, IoM 0624 824131
Global Portfolio

Templeton Global Strategy SICAV
5 Boulevard Royale, L-2449 Lux 010 352 469667

Touche Remnant (Guernsey) Ltd (u)
Barnards Hse, St Peter Port, Guernsey 0481 726268
TR Worldwide Strategy Fund

S.G. Warburg Asset Mngmt Lux SA (u)
14, Rue Leon Thyes, L-2636 Lux 010 352 421211
Mercury Selected Trust-SICAV
Mercury Offshore Stlg Trust-SICAV

Wardley Investment Services (Lux) SA (u)
7 rue du Marche – aux – Herbes L-1728 Luxembourg
Dealing: 010 352 479812220 Fax 479888
Wardley Global Selection

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)
Growth Funds
Income and Growth Funds
Income Funds
Liquid Reserve Funds
Prices quoted are 'A' shares

Alliance Capital
*Offer price depends on jurisdiction

Asian Development Equity Fund
Portfolio A May 14 — $19.80
Portfolio B May 10 — $16.17

Atlantas Sicav
American One May 11 — $871.28
Am Dynamic May 11 — $702.02
For East May 11 — Y36044.00
Eurocroissance May 11 — DM400.28
Bond Global May 11 — DM703.41

BAII Intermarket Fund
NAV Apr 30 — $373.06 — +2.41
Intermarket Multicurrency Fund
Class A May 3 — FFr2227.85 — +37.72
Class B May 3 — $220.88 — +1.53
Class C May 3 — Y52060 — +273

Banque Ferrier Lullin (Lux) SA
Fl. Tst Switzerland — SFr116.32
Fl. Trust Asia — $116.68 — +4.14

Banque Paribas Luxembourg
NCS Europe & Income — $9.66
Paribas Soleil — $8.72

CB Fund International (u)
CB Fd Inc — $13.32

CSFB Umbrella
Pacific Inv Port I May 5 — $1289.86 — -15.21
Pacific Inv Port II May 5 — $1269.76 — +14.71

Capel–Cure Myers Intnl Fd Sicav (u)
Sterling Bond — £10.91 — 11.28
Sterling Growth — £13.14 — 13.98 — +0.06
US Dollar Bond — $10.87 — 11.22
US Dollar Growth — $11.35 — 12.00 — +0.03

Citicorp Investment Mgmt (Luxembourg) SA
Super Asia Infrastructure — $13.03 — +0.04

Clemente Korea Emerging Growth Fund
NAV Apr 30 — $12.03 — +0.83

Credit Commercial de France
Euro Smlr Cos Class A — Ecu12.28
Euro Smlr Cos Class B — Ecu12.25
Euro Prestige Cls A (z) — Ecu8.28
Euro Prestige Cls B (z) — Ecu10.87

Credit Lyonnais Rouse (Bermuda) Ltd
CLR SELECT April 30

Credit Suisse

Daiwa Japan Gem Fund
Daiwa Japan Gem — $10.28 — 10.41 — -0.10

Daiwa Japan Small Equity Fd (u)
Daiwa Japan Small Eq — $11.42 — -0.09

Dean Witter World Wide Invest. Tst SA
NAV — $26.34

The Dragon Fund Sicav
NAV May 11 — $132.81

Espirito Santo Investment Mngmt (SICAV)
Southern European Fd — $6.47 — -0.19
ECU Bond — Ecu106.88 — +0.20

Eurecu Management S.A.
Eureca Fd NAV Apr 29

Europe Value Fund (u)
NAV — $10.61 — -0.09

EurOptec (u)
European Protection
European Bond Protection — Ecu100.40 — 105.84

Fidelity Intl Inv Mngt (Luxembourg) SA
Coov Sec Portfolio — $7.57 — 7.65 — -0.03 — 1.80
New Europe Fd — $11.13 — 11.80 — -0.07 — 0.44

Fidelity Investment (CI) Ltd

The First Korea Smaller Companies Fund
NAV Apr 30 — $10.62 — +0.25

For Five Arrows Asia Pacific see Luxembourg SIB

Five Arrows Intl Bond Fund (u)
Rothschild Asset Management (CI)
NAV per share — $12.46 — -0.08

Fleming Group
Fleming Fund Management (Lux)
Japan Warrant NAV — $2.18 — -0.18
European Wrnt NAV — $2.06 — -0.07
FF Portfolio — $12.78 — 13.44 — -0.10

Genesee Funds
Mast-Fonds International — DM12.01

Gartmore Luxembourg S.A.
Worldwide Growth — 7.66 — 8.06 — +0.03
Pheonix Fd — $15.18

H.C.M. HYPO Capital Mgt Luxembourg SA

International Bond Trust
CDIC A NAV — $11.27 — -0.06

International Speciality Fund (u)
Intl Speciality — $8.81

INVESCO International Limited

InverSud Investment Fund SICAV
NAV May 17 — $1069.06 — -1.80

Investissements Atlantiques SICAV
NAV May 10 — $28.48 — 28.77 — 0.5

Latin American Mngmt Group Ltd
Colombian Inv Co SICAV — $9.93 — +0.19
Peruvian Inv Co — $9.96 — -0.01

Lloyds Bank Luxembourg (u)
Lloyds International Liquidity

Mediterranean Fund (SICAV) (u)
NAV May 18 — Ecu10.79 — +0.18

Merrill Lynch Asset Management
Merrill Lynch Global Currency Bond Series
Merrill Lynch Multinational Investment Portfolios–Equity/Convertible Series

Morgan Stanley Sicav
* Estimated Weekly Net Asset Value

Murray Universal, Sicav
American Port May 12 — $32.99 — 34.60
European Port May 12 — 3.06 — 3.46
Japan Port May 12 — $220.18 — 231.17
Pacific Port May 12 — $14.17 — 14.86

NM Income & Gwth Fd
NAV — $22.39 — -0.21

NICAM Asia Pacific Umbrella Fund
*Price as at May 12

Nikko Bank (Luxembourg) S.A.
*Price as at May 18

Nomura Asian Infrastructure Fd SICAV
NAV — $15.49 — +0.10

Nomura Rosenberg Alpha Fund Mark II
Portfolio A: NAV — $15.53 — +0.01
Portfolio B: NAV — $16.22 — -0.06

Norit Currency Fund
NCF USD — $903.47
NCF DEM — DM980.04
NCF CHF — SFr1013.16
NCF FRF — FFr4814.93
NCF JPY — Y93043.00
NCF BEF — BFr25074.00

Pacific Basin Growth Fund
NAV A Shs — $13.23 — -0.03
NAV B Shs — $15.78 — -0.15

Rosenberg Global Mngt Co SA (u)
Rosenberg Alpha Fund Global
Portfolio A: NAV — $10.93 — +0.02
Portfolio B: NAV — $12.89 — +0.03

Rosenberg Management SA (u)
Rosenberg Alpha Fund Yield
Portfolio A: NAV — $10.34
Portfolio B: NAV — $12.55 — -0.02

Rosenberg US Japan Mngmt Co SA (u)
Rosenberg Alpha Fund US Japan
Portfolio A: NAV — $10.47 — +0.01
Portfolio B: NAV — $12.25 — +0.01

SCI/TECH SA
SCI/Tech NAV — $18.47 — +0.14

Sarasin Investment SICAV (u)
BondSar — SFr194.97
EuroSar DM — DM83.79
EuroSar Ecu — Ecu32.59
EuroSar SwFr — SFr57.76
GlobalSar DM — DM230.84
GlobalSar Ecu — Ecu118.04
GlobalSar Swfr — SFr209.32

Scudder, Stevens & Clark
Scudder Global Opportunities Funds

Target International Ltd
Intl Growth Fd — $20.06 — -0.08

Templeton Worldwide Investments
Growth Portfolio
Income Portfolio

Transworld Bond Trust
NAV — $13.46 — -0.08

US Pacific Stock Fund (u)
NAV — $18.15

Unibank SA, Frontrunner I (u)

Unico Financial Services SA Lux
DG Bank London Branch

Wardley NAPT (Luxembourg) SA
Wdly Asia Pacific Tst NAV — $12.23 — +0.02

"WINTERTHUR" Fund Mngmt Co (Lux) SA

World Bond Fund–SICAV
World Bond Fund — $29.30 — 29.71 — +0.15 — 0.87
Inv Ad Warburg Asset Mngt London

World Trust Fund
Shares NAV — $11.16

Yamaichi Advanced Technology Fund
Advanced Tech — $22.66

Yamaichi 1992 OMNI Fund SICAV (u)
NAV — $9.23 — 9.26

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG
8 Baarerstrasse CH6301 Zug, Switzerland 217180

OTHER OFFSHORE FUNDS

ATSP Management Ltd
Philippines Long Term Equity Fund
NAV Feb 26 — $26.77

Abtrust Fund Mngrs (Guernsey) Ltd
The New Asia Fund Ltd

Adig Investment

Aetna Malaysian Growth Fd (Cayman) Ltd
NAV May 17 — $11.7467

Alliance Capital

Alpha Fund Management Ltd

Asian Convertibles & Income Fd (Cayman)
NAV Apr 22 — $11.14

Austro–Hungary Fund Ltd
Lloyds Bank Fund Managers (Guernsey) Ltd
NAV May 13 — $9.62

BEA Associates

Julius Baer Bank & Trust Co Ltd
Liquibaer — $2208.80 — 2207.60

Bque Fr Serv & Co/Europ Inv Mgt Ltd
Partner Emerging Markets Umbrella Fund

Barclay Eurofutures Fund Ltd
NAV — Ecu1054.342

Baring International Group

The Batavia Fund Ltd
NAV May 14 — $9.76

Bermuda Intl Invest Mgmt Ltd

Bordier Funds Ltd
Korea Fd NAV May 14 — $49.55

The Brazilian Inv Fund
NAV — $46.85

Bridge Management Ltd
Nippon Fd — $93.49 — 97.70

Buchanan Fund Ltd

Butterfield Management Co Ltd

CA Securities Investment Fund Mngt Ltd
Hong Cont Debt May 7 — HUF10910

CDC International
GFI Short Term May 14 — FFr163822.51
GFI Long Term May 14 — FFr1338886.12

Centrade ITEC Fund Management

Capital International
Capital Int. Fund — $112.76

Cathay Clemente (Holdings) Limited
NAV Mar 31 — HK$7.76

Chameleon Funds Limited
Prudential-Bache Securities & Co Limited – UK Representative
UK Equity Fund — £120.91 — 122.00

The China Fund
NAV May 14 — $10.61

China Investment Company
NAV Apr 30 — $9.92

The China Invest & Development Fd Ltd
NAV Apr 30 — $5.44

Citizens Investment Trust Mgt Co Ltd

Connaught Investments Ltd (Hong Kong)

Craig Drill Capital Ltd
NAV Feb 28 — $114.34

Credit Lyonnais Intl Asset Mngt (HK) Ltd

Credit Lyonnais Rouse (Bermuda) Ltd
Systemtrend Ltd — $21.705
S'trend Gtd Ltd Mar 93 — $12.775

Cregem International Bank
Cregem Leveraged — Ecu132.00
Cregem US Options — $111.44
Cregem Euro Options — DM112.45
Cregem Forex — $124.91

Crystal Corporation N.V.
Stg Class A/B May 14 — $71.33 — 73.47

DWS Deutsche Ges. F. Wertpapiersp

Daehan Investment Trust Co Ltd

Daiwa APT Japan Fund
Daiwa APT Jap — $7.8849 — 7.9964

Daiwa Intl Capital Management (H.K.) Ltd

Daiwa Japanese Equity Warrant Fund
Jap Eqty Wrnt May 11 — $413.10 — 457.60

Deutscher Investment–Trust
Concentra — DM40.88 — 42.80
Int. Rentenfonds — DM71.27 — 73.41

EGS Overseas Fund Ltd
NAV May 5 — $1405.00

East Asia Hamon Asset Mngt Ltd
Selected Asian P'folio — $15.63 — 15.84

Emerging Markets Management
Emer Mkts Strat Apr 30 — $302.29 — +3.30
Asian Emer Mkts Apr 15 — $11.04
Latin Am Em Mkts Apr 30 — $21.09 — -0.84

The Environmental Investment Co Ltd
Ecofin Fund Management Ltd
NAV May 11 — $9.91

Ermitage Group

Europe 1992
NAV — $9.63 — -0.03

S.G. Europe Obligations SA
Europe-Obligations — $109.04

FFM / Swiss Financial Services
Multiple Advisory Ltd — $1907.00

FK Concepts (Bermuda) Ltd
Concepts Forex Fund — $11.64

Fairbairn Global Capital Fund Ltd
NAV Mar 31 — $41936.15

Falcon Fund International Inc
Falcon Fd NAV Apr 30 — $176.3904

Fidelity Investments

First Mexico Income Fund
First Mexico Inc May 12 — $32.70

Five Arrows Chile Fund Ltd
NAV May 11 — $19.16

Formosa Fund
NAV May 18 NT$1747.30 IDR value US$67.00

Formosa Growth Fund Limited
NAV — $10.16

Frankfurt Trust Investment–GmbH

The French Prestige Fund

GT Chile Growth Fund Ltd
NAV May 11 — $32.38

GT Management Plc

Gaia Currency Funds

Garzarelli Sector Analysis Portfolio NV
NAV — $13.20

Genesis Fund Managers Ltd

Gertrust SA

Global Asset Management
Offshore Funds
Swiss Registered Funds
SEC Registered Funds

Global Government Plus Fund
c/o Prudential–Bache Secs (UK) Inc
NAV May 7 UC$7.87 $9.99

Goldman Sachs

Granville Management Limited
Granville Inv Tst — £1.05 — 1.10xd — 0.6909
Dealing has been Suspended

Green Way Guaranteed Ltd
NAV — Ecu1141.68

Greystone Portfolio Ltd

Group One Limited
Merrill Lynch Intl & Co c/o MLE

Group One International Tst
Merrill Lynch
Shearson Lehman Hutton

For Hamon see East Asia Hamon

Haussmann Hldgs NV Curacao
Haussmann Apr 30 — $584.72 — 593.36

Hill Samuel Investment Services Intl (z)
Bank von Ernst & Cie AG

The India Magnum Fund NV
NAV May 7 — $28.62

Indosuez Asia Invest Services Ltd

The Jaguar Fund N.V.
NAV May 13 — $419.67

The Japan Capital Secured Trust
NAV May 17 — $9.2992

Jardine Fleming Inv Mngt Ltd

Jardine Fleming Unit Trusts Ltd
Asia Pacific
International
Daily Dealing EXCEPT Marked with *

Johnson Fry Securities Ltd
US Mezzanine Closed Futures Fd — £99.06

Kestrel
First Kestrel Gtd Apr 30 — $10.07
Sterling Share Apr 30 — £15.01
US Dollar Shs Apr 30 — $24.70

Korea Intl Investment Fund
NAV Apr 30 — $103.87

Korea Investment Trust Co Ltd

Lehman Brothers Opports Growth Fund
NAV Apr 30 — $8.47

Lippo Asia Ltd
Java Fd (Cayman) Ltd NAV — $9.42

Lloyd George Management

London Portfolio Services Group
LPS Int'l Ord — $11.59 — 1.86
LPS Int'l HPB — $10.476 — 1.74

MFS Meridian Funds

Malaysia Capital Fund Ltd

Malaysia Fund (Labuan)
NAV May 14 — $12.76

Malaysia Growth Fund
NAV May 7 — $13.16

Man International Futures

Mauritius Fund Ltd
Lloyds Bank Fund Managers (Guernsey) Ltd
NAV Apr 30 — $10.29

Maverick International Fund
NAV May 11 — $121.94

MeesPierson

Merrill Lynch Asset Management

Merrill Lynch Guernsey
(For Information Only)

Momentum Asset Mngt
Momentum Gold Ltd Apr 30 — $98.30

Montgomery Emerging Markets Fund Ltd
NAV May 14 — $1019.55

Morgan Stanley Emerging Market Fund
Emerging Mkts Feb 28 — $16.45

Morgan Stanley Japanese Warrant Fund NV
NAV — $3.6415

National Investment Trust Company Ltd
The New Taipei Fund Ltd — $8.9492

Newport International Management
Newport Tiger Fd — $50.022

Newport Investment Management Ltd

Nomura Warrant Fund 1990 Ltd
NAV — $0.13

North Star Fund Managers (Cayman) Ltd
North Star International Currency Fund

Northfield International Ltd
NAV Apr 30 — $8.16

Odey Asset Management Limited
Odey European Inc — DM125.86

Old Ironsides International Ltd
Old Ironsides Mar 31 — $100.59

Omega Overseas Partners Ltd
Omega Overseas Partners Apr 30 — $133.29

Options Fund Management

Orbis Investment Management Ltd
* Prices on May 13 Next Pricing May 20 Weekly Pricing

Orbitex Bahamas Ltd

ORIENT Growth Fd
NAV — $10.98 — -0.03

PFC Internatl Portfolio Fd Mngt Ltd

PRS International

Pacific Growth Fund
NAV — $16.31 — -0.12

Pakistan Fund
NAV May 13 — $4.90

Pequot International Fund Inc
NAV May 10 — $169.21

Philippine Income Fund Inc
NAV May 12 — $10.63

For Pierson Holding & Pierson see MeesPierson

Portuguese Investment Fund Ltd
NAV May 13 — $57.5153

Putnam International Advisers Ltd
Emerg Hlth Sci — $33.51 — +0.05
Emrg. Info. Sci. — $38.17
High Inc GAMMA (z) — $9.29 — -0.01
International Fund — $13.84 — +0.08
Global Hi Gth Fnd — $15.65 — -0.04
Global Govt. Inc. Tst — $16.16

Quantum Group
Quantum Fund — $27800 — 28648 — -101
Emerging Growth Fd — $238.28 — 243.82 — -1.42
Quasar Intl Fd — $208.42 — 213.55 — -0.98
Quota Fund — $218.05 — 223.20 — -0.58
Realty — $128.90 — 133.42 — +2.92

Real Estate Strategies Ltd
IRES International — C$- — 1303.78

Regent Fund Management Ltd
Undervalued Assets Ser 1 — $8.43
Leveraged Futures — $102.51
Pearl River Delta — $8.94
Pacific Arbitrage Co Ltd — $8.80
Pacific Arbitrage Co Ltd — Y768.54
R.L. Country Warrant — $136.88

Republic New York Funds
Global Currency May 12 — $1012.71
Global Fixed Inc May 12 — $1002.06

Rosenwald, Roditi & Co
Korea Non-Life Invest NAV — $100.52

Rothschild Asset Management (CI)
Tokyo Pac (Seabrd) — $176.00

Royal Trust Intl Money Market Fund

	Bid Price	Offer Price	+ or -	Yield Gross
RT Money US$ Acc†(100-1)	$1.0383			2.98
RT Money US$ Inc†(100-1)	$1.0118			2.90
RT Money C$ Acc†(100-1)	C$1.0634			4.35
RT Money C$ Inc†(100-1)	C$1.0243			4.74
RT Money Stg Acc†(100-1)	£1.0828			5.34
RT Money Stg Inc†(100-1)	£1.0373			6.17
RT Money SFR Acc†(100-1)	SFr1.0407			4.16
RT Money SFR Inc†(100-1)	SFr1.0098			4.19
RT Money DM Acc†(100-1)	DM1.0621			6.88
RT Money DM Inc†(100-1)	DM1.0208			6.98
RT Money Fd Yen Acc	Y1.0092			2.78
RT Money Fd Yen Inc	Y1.0067			2.88

Royal Trust North American Bond Fd
NAV — $8.77

Sabre Futures Fund
Diversified A Shs — $81.47
Currency C Shares — $103.29

Safra Republic Holding
Republic GAM America Inc — 110.13 — +0.30
Republic GAM Em Mkts Inc Global — 108.68 — +0.48
Republic GAM Em Mkts Inc Latin Am — 95.74 — +0.11
Republic GAM Europe — SFr103.94 — +0.47
Republic GAM Fd — $124.50 — +0.14
Republic GAM Gwth Fd Inc — $132.40 — +0.80
Republic GAM Gth SwFr Inc — SFr99.99 — +1.27
Republic GAM Opportunity — $103.01
Republic GAM Pacific Fd — $123.80 — +0.37

Schroder Investment Management Limited
Gap US Equity May 14 — $10.22 — 1.40

Schroder Japanese Warrant Fund
Undiluted NAV May 17 — $01.51

Schroders Asia Limited

Schroders Australia Ltd
Schroder Aust Sh — A$8.26 — 8.87

Schroder (Switzerland) Fund
Japan Convert — SFr1267.27 — -0.81

Scimitar Bermuda Funds

Scudder, Stevens & Clark Inc

Segespar Securities (Bermuda) Ltd
Credit Way Ltd NAV Apr 30 — $17423.28

Shizuoka Investment Mngmt (Bermuda) Ltd
Japan Opps NAV Apr 30 — $12.141

Soditic Asset Management Inc

Carl Spaengler KAG
Long Term Value Invst NAV — $4646.95

State Street Banque SA
Actions France — FFr10327.00
Actions Europe — FFr9518.46
Actions Japon — Y282597.84
Emerging Markets — $2307.41

Tabacco Fund Managers Limited
Tabacco Fd — $7.24

Taipei Fund
NAV NT$1528.7 IDR US$58.87 (May 10)

Taiwan Tracker Fund Limited
Index NAV — $9.626
Liquid NAV — $10.244

Templeton Galbraith & Hansberger Ltd
Global Inc May 17 — $9.40 — 10.01 — -0.03

The Thai Development Capital Fd
NAV May 12 — $13.32

The Thai–Euro Fund Ltd
Lloyds Bank Fund Mngrs (Guernsey) Ltd
NAV May 14 — $27.12

The Thai Prime Fund Limited
NAV May 14 — $15.88

The Thailand Fund
NAV Apr 28 Baht 1,327,267.74 IDR value US$52,605.36

The Thailand Growth Fund
NAV US$17.70 May 14

The Thailand Intl Fund Ltd
Fidelity International Ltd
NAV May 14 — $35.11

Thames Currency Fund Ltd
NAV Apr 30 — $12.07

Thornton Investment Management Ltd

Trans Global Investments Limited
Trans Global Inv Ltd — $194.83 — 200.69 — -3.01

Tyndall International (Bermuda) Ltd

Ultra Futures Fund Ltd
Fund Advisors Ltd Apr 30 — $10108.57

Ultra Hedge Fund Ltd
Fund Advisors Ltd Apr 30 — $1012.16

Ultra Sector Fund Ltd
Fund Advisors Ltd Apr 30 — $1057.66

Ultra Value Fund Ltd
Fund Advisors Cl B Apr 30 — $1090.00
Fund Advisors Cl C Apr 30 — $1054.99
Fund Advisors Cl D Apr 30 — $995.25

Valu–Trac Investment Management Ltd
Valu-Trac Global Bd Tst — $10.64 — 11.27 — -0.12
Valu-Trac Global Eqty Tst — $10.02 — 10.61 — -0.03

The Vietnam Fund Limited
Lloyds Bank Fund Managers (Guernsey) Ltd
NAV Apr 30 — $9.90

Vigilant Fund Company Ltd
Vigilant Managed Fd — $97.90 — 102.80 — -0.24

Wardley Investment Services Ltd
Japanese Warrants — $2.99 — 3.17 — -0.08
Asian Warrants — $12.86 — 13.62 — +0.02
European Warrants — $5.66 — 5.94 — +0.05
Managed — HK$12.17 — 12.88 — +0.05
Private Capital Tst — $22.40 — -0.08
China Fund — $10.66

Wellington Fd Mngrs (Bermuda) Ltd
Intnl Growth Fd — $13.65 — 14.33 — -0.02

Wells Fargo U.S. IT Fund
Wells Fargo A Shs (z) — $12.35
Wells Fargo B Shs (z) — $12.86 — -0.07

Worldwide Limited
NAV Mar 31 — $62.32

Xiphias International Investment Fd Ltd
Xiphias Intl US$ Acc — $1.2499
Xiphias Intl ECU Acc — Ecu1.2184
Xiphias Intl ECU Dis — Ecu1.0928

Yamaichi Capital Mngmt (Guernsey) Ltd
Thai Inv Fund — $13.19

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. §§ Guernsey gross. ∅ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡ Only available to charitable bodies. ф Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

DM weaker as Danes vote

BOTH the D-Mark and the Swiss franc continued to weaken in European trading yesterday as dealers took the view that there would be a strong Yes vote in Denmark's referendum on the Maastricht treaty, *writes James Blitz.*

The first exit polls following the referendum were still being awaited early yesterday evening in London. But the last opinion poll before voting commenced gave the Yes camp 58 per cent and the No camp 42 per cent – and this suggested that tensions in the European exchange rate mechanism were about to ease.

As on previous days, the expectation that the treaty would be ratified led to unwinding of positions in both the D-Mark and the Swiss franc, both of which have been viewed as safe haven currencies in the event of a No vote.

The dollar gained significantly from the D-Mark's weakness, rising more than a pfennig to peak at DM1.6272 in Europe, and reaching a 7-week high. It later closed in London at DM1.6240. Again, a factor pushing the dollar up against the German currency was speculation that the Federal Reserve's Federal Open Market Committee would lean towards tightening monetary policy following last week's higher than expected figures for US inflation.

The results of the meeting, which took place yesterday and continues today, will not be known for some weeks.

In Europe, expectations of a Yes vote led dealers to go long of several currencies outside the D-Mark bloc and to short the Swiss franc, which closed at SFr0.910 to the D-Mark from a previous SFr0.909.

The Italian lira was the strongest performer on the continent, closing at L909.2 against the D-Mark from a previous L914.9. The rise in the lira partly reflected strong buying of Italian bonds, with the 5 year BTP future moving up more than 40 basis points on the day.

Sterling also enjoyed a strong performance, again driven by the same factors. The pound closed at DM2.4875, a full pfennig higher on the day.

The clearest sign that the market was expecting a Yes vote was, of course, the Danish krone's performance. Denmark's currency peaked at DKr3.8250 against the D-Mark, but later weakened on profit-taking to close at around DKr3.8425. Its divergence indicator against its Ecu central rate fell to around minus 37 basis points at the close of London trading, some 3 basis points higher than on Monday's close.

An important question facing the market today is whether the D-Mark's performance has been sufficiently bad in recent days to make the Bundesbank think twice about cutting the discount rate at its council meeting today.

A 25 basis point easing in the discount rate has been anticipated, but several Bundesbank officials have recently expressed concern about the dangers of imported inflation.

£ IN NEW YORK

May 18	Latest	Previous Close
£ Spot	1.5315-1.5325	1.5355 1.5365
1 month	0.41-0.40pm	0.41 0.40pm
3 months	1.12-1.10pm	1.12 1.10pm
12 months	3.63-3.70pm	3.83 3.72pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for May 17

OTHER CURRENCIES

May 18	£	$
Korea(Sth)	1220.65 - 1240.35	798.70 - 805.10
Kuwait	0.46000 - 0.46100	0.30100 - 0.30150
Luxembourg	51.00 - 51.10	33.30 - 33.40
Malaysia	3.9250 - 3.9355	2.5680 - 2.5690
Mexico	4.7690 - 4.7720	3.1220 - 3.1240
N.Zealand	2.8450 - 2.8490	1.8625 - 1.8650
Saudi Ar	5.7290 - 5.7405	3.7495 - 3.7505
Singapore	2.4685 - 2.4750	1.6160 - 1.6170
S.Af (Cm)	4.8690 - 4.8805	3.1875 - 3.1895
S.Af (Fn)	7.1640 - 7.1945	4.6900 - 4.7100
Taiwan	39.50 - 39.65	25.85 - 25.95
U.A.E.	5.6100 - 5.6230	3.6715 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 18	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	154.250	148.867	-3.49	4.55	61
Portuguese Escudo	192.854	186.905	-3.08	4.12	62
Irish Punt	0.808628	0.801327	-0.90	1.82	46
Dutch Guilder	2.19672	2.19118	-0.25	1.16	18
Belgian Franc	40.2123	40.1799	-0.08	0.99	10
D-Mark	1.94964	1.95424	0.24	0.67	-5
French Franc	6.53883	6.59016	0.79	0.12	-37
Danish Krone	7.43679	7.50410	0.91	0.00	-36

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

May 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	[illegible]	1.5310 - 1.5320	0.41-0.39cpm	3.13	1.14-1.11pm	2.94
Canada	1.9415 - 1.9535	[illegible]	0.28-0.19cpm	1.45	0.53-0.39pm	0.94
Netherlands	[illegible] - 2.7925	2.7825 - 2.7925	[illegible]	-1.06	[illegible]	-0.90
Belgium	50.65 - 51.20	51.00 - 51.10	[illegible]	-1.06	11-16dis	-1.06
Denmark	[illegible]	[illegible]	[illegible]	-3.53	[illegible]	-2.22
Ireland	1.0135 - 1.0195	1.0185 - 1.0135	0.11-0.14cdis	-1.47	0.33-0.40dis	-1.43
Germany	[illegible]	[illegible]	[illegible]	-1.51	[illegible]	-1.27
Portugal	[illegible]	[illegible]	179-198cdis	-9.55	460-478dis	-7.82
Spain	[illegible]	123.00 - 123.30	89-112cdis	[illegible]	282-295dis	-5.78
Italy	2261.50 - 2270.40	2261.50 - 2262.50	8-10lireds	-4.77	24-27dis	-4.51
Norway	10.5030 - 10.5450	10.5300 - 10.5450	[illegible]	-1.57	[illegible]	-1.16
France	[illegible]	[illegible]	[illegible]	-1.79	[illegible]	-1.40
Sweden	11.2380 - 11.2325	11.2825 - 11.2325	[illegible]	-2.72	[illegible]	-2.26
Japan	170.20 - 171.25	170.25 - 171.25	[illegible]	3.07	[illegible]	2.93
Austria	17.38 - 17.49	17.46 - 17.49	1-2groschs	-1.03	[illegible]	-0.89
Switzerland	[illegible]	[illegible]	[illegible]	0.98	[illegible]	1.10
Ecu	1.2665 - 1.2730	1.2720 - 1.2730	0.20-0.23cdis	-2.03	0.48-0.52dis	-1.54

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.17-2.12pm. 12 Month 3.85-3.75pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5235 - 1.5340	1.5310 - 1.5320	0.41-0.39cpm	3.13	1.14-1.11pm	2.94
Ireland†	1.4970 - 1.5065	1.5005 - 1.5015	0.60-0.57cpm	4.68	1.70-1.65pm	4.46
Canada	1.2719 - 1.2780	1.2725 - 1.2735	0.16-0.20cdis	-1.70	0.61-0.67dis	-2.01
Netherlands	1.8105 - 1.8250	1.8200 - 1.8210	0.63-0.66cdis	-4.25	1.74-1.80dis	-3.89
Belgium	33.20 - 33.50	33.30 - 33.40	11.00-13.00cdis	-4.32	31.00-35.00dis	-3.96
Denmark	6.1985 - 6.2400	6.2425 - 6.2475	2.50-3.70oredis	-5.96	7.50-10.00dis	-5.60
Germany	1.6140 - 1.6285	1.6235 - 1.6245	0.64-0.65pfdis	[illegible]	1.75-1.77dis	-4.33
Portugal	154.55 - 155.75	154.70 - 154.80	143-153cdis	-11.49	410-450dis	-11.11
Spain	123.40 - 123.95	123.70 - 123.80	90-100cdis	-9.21	280-290dis	-8.89
Italy	1476.25 - 1486.00	1476.75 - 1477.25	9.80-10.30liredis	-8.04	27.00-28.00dis	-7.45
Norway	6.8360 - 6.8960	[illegible] - 6.8960	2.80-3.05oredis	-4.84	6.80-7.80dis	-4.24
France	5.4410 - [illegible]	5.4775 - 5.4925	2.18-2.28cdis	-4.86	5.87-6.03dis	-4.34
Sweden	7.3250 - 7.3880	7.3675 - 7.3725	3.10-3.80oredis	-5.62	9.10-10.30dis	-5.24
Japan	111.20 - 111.90	111.80 - 111.80	par-0.01ydis	-0.05	par-0.01dis	-0.02
Austria	11.3800 - 11.4500	11.4275 - 11.4325	3.90-4.20grodis	-4.25	10.00-11.70dis	-3.55
Switzerland	1.4650 - [illegible]	1.4785 - 1.4795	0.25-0.28cdis	-2.15	0.71-0.76dis	-1.99
Ecu†	1.1990 - 1.2085	1.2025 - 1.2035	0.51-0.50cpm	5.04	1.37-1.35pm	4.52

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

May 18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	10 - 9	10 - 9	10 - 9	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11 - [illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

May.18	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.532	2.488	170.8	[illegible]	2.265	2.788	2262	1.949	51.05	189.2	1.273
$	0.653	1	1.624	111.5	5.478	1.478	1.820	1477	1.272	33.32	123.5	0.831
DM	0.402	0.616	1	68.65	[illegible]	0.910	1.121	909.2	0.783	20.52	76.05	0.512
YEN	[illegible]	8.970	14.57	1000.	49.13	13.26	16.32	13244	11.41	298.9	1108	7.453
F Fr.	1.192	1.826	2.965	203.5	10.	2.699	[illegible]	[illegible]	2.322	[illegible]	[illegible]	[illegible]
S Fr.	0.442	0.676	1.098	75.41	3.705	1	[illegible]	[illegible]	0.860	22.54	83.53	0.562
N Fl.	0.359	0.549	0.892	61.26	3.010	0.812	1	811.3	0.699	18.31	67.86	0.457
Lira	0.442	0.677	1.100	75.51	3.710	1.001	1.233	1000.	0.862	22.57	83.64	0.563
C $	0.513	0.786	1.277	87.63	4.306	1.162	1.430	1161	1	26.19	97.06	[illegible]
B Fr.	1.959	3.001	4.874	334.6	16.44	4.437	5.461	4431	3.818	100.	370.5	2.494
Pta	0.529	0.810	1.315	90.27	4.436	1.197	1.474	1196	1.030	26.98	100.	0.673
Ecu	0.786	1.203	1.954	134.2	6.592	1.779	2.190	1777	[illegible]	40.10	148.6	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5315	1.5275	1.5203	1.5101	1.4935

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
116	-	-	-	0.02	0.54	-
117	0.59	1.10	1.28	0.08	0.81	-
118	0.09	0.65	0.86	0.66	1.44	-
119	0.02	0.34	-	-	-	-
120	-	0.16	-	-	-	-
Open Int	141,693	59,410	22,161	157,073	89,178	12,982

Estimated volume 19,832 † Total Open Interest 544,292
† All Yield & Open Interest figures are for the previous day.

MONEY MARKETS

UK data awaited

DEALERS in the sterling futures market yesterday pondered the possibility that the UK might cut base rates again this year, as they awaited the Bank of England's inflation report and a raft of economic indicators due later in the week, *writes James Blitz.*

Both the June and September sterling interest rate contracts were pushed higher, as dealers took the view that the unemployment data, due tomorrow, and the inflation data, due on Friday, would point to another cut in base rates later this year.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Weekend newspaper reports said the Bank would take a hard line on inflation in its quarterly report, and this had pushed sterling futures down on Monday.

However, dealers yesterday anticipated that the report, which was issued at 5 pm last night, would reflect only mild concern about the prospects for inflation. And they were right to do so.

In a chart printed at the end of the report, the Bank projected the inflation rate as remaining within the target band of 1-4 per cent outlined by the government for the next two years.

"The changes since the last *Inflation Report* have lowered slightly both the expected inflation rate and the probability of breaching the 4 per cent limit during the course of this year," the Bank said.

The June short sterling contract closed 4 basis points higher at 93.94 and the September contract closed 7 basis points higher at the same level.

The sterling cash market was more-or-less unmoved yesterday. Three-month money closed unchanged at 6 1/16 per cent. The overnight rate dropped to about 5 per cent but the market had some difficulty removing a tiny daily shortage of £350m.

In Germany, the Bundesbank left its repo rate unchanged at 7.60 per cent, compared to some expectations of a rise in the rate.

Short-dated Euromark contracts reflected this move. The June Euromark contract rose 3 basis points on the day, to close at 92.88. Dealers anticipated a cut of at least 25 basis points in the discount rate at today's Bundesbank council meeting.

German call money also eased marginally, to 7.90 per cent, after the Bundesbank added a net DM6.7bn at its weekly repo operation.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 18)	3 months US dollars	6 months US Dollars	
bid 3 1/8	offer 3 1/4	bid 3 1/4	offer 3 3/8

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	2.80	Three year	4.44
Broker loan rate	5	Two month	2.91	Five year	5.24
Fed.funds	3	Three month	3.07	Seven year	5.72
Fed.funds at intervention	-	Six month	3.19	10-year	6.08
		One year	3.39	30-year	7.00
		Two year	4.03		

May.18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.80-8.00	7.55-7.65	7.40-7.55	7.25-7.40	6.95-7.10	8.50
Paris	8 3/16-8 5/16	7 3/4-7 7/8	-	7 3/16-7 5/16	-	7.75
Zurich	5-5 1/4	5 1/4-5 3/8	-	5-5 1/4	-	-
Amsterdam	7.67-8.00	7.85-7.90	-	7.52-7.57	-	-
Tokyo	3 3/16-3 1/4	-	-	-	-	-
Milan	11 3/8	10 5/8-10 13/16	-	10 13/16	-	-
Brussels	7 5/8-7 7/8	7 1/4-7 3/8	-	7 1/8-7 1/4	-	-
Dublin	7 3/4-7 7/8	7 3/4-7 7/8	7 3/4-7 7/8	7 1/2-7 5/8	7 3/8-7 1/2	-

LONDON MONEY RATES

May 18	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6 5/8	6 1/4	6 1/8	6 1/8	6 3/16	6 1/2
Interbank Bid	5	5 3/4	5 7/8	6	6 1/16	6 1/4
Sterling CDs	-	-	5 31/32	5 31/32	6	6 3/16
Local Authority Deps.	6 1/2	6 1/4	6 1/8	6 1/8	6 1/8	6 3/8
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6 1/4	6	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	6 3/16	6 1/8	6 3/16	6 3/8
Treasury Bills (Buy)	-	-	5 11/16	5 11/16	5 5/8	-
Bank Bills (Buy)	-	-	5 29/32	5 27/32	5 27/32	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	2.94	2.96	3.07	3.33
SDR Linked Dep. Offer	-	-	4 3/16	4 5/8	4 3/16	4 3/4
SDR Linked Dep. Bid	-	-	4 1/16	4 1/2	4 1/16	4 5/8
ECU Linked Dep. Offer	-	-	8 1/2	7 3/4	7 1/2	7 3/8
ECU Linked Dep. Bid	-	-	7 7/8	7 1/2	7	6 13/16

Treasury Bills (sell); one-month 5 5/8 per cent; three months 5 5/8 per cent; six months 5 1/2 per cent; Bank Bills (sell); one-month 5 11/16 per cent; three months 5 11/16 per cent; Treasury Bills; Average tender rate of discount 5.3346 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1993. Agreed rates for period May 26, 1993 to June 22, 1993 Schemes II & III: 7.28 p.c. Reference rate for period April 1, 1993 to April 30, 1993, Scheme IV&V: 6.018 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6 1/2 from May 1, 1993: Bank Deposit Rate for sums at 7 days notice 5 3/8 p.c. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2 3/4 p.c.; one-three months 5 1/4 p.c.; three-six months 5 p.c.; six-nine months 4 3/4 p.c.; nine-twelve months 4 1/2 p.c.; Under £100,000 2 3/4 p.c. from Jan.27, 1993, Deposits withdrawn for cash 1 1/4 p.c.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs.	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai.	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West.	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485
High Int Cheque Acc | 5.50 | 4.13 | 5.61 | Qtr

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int: Frequency at which interest is credited to the account.

CROSSWORD

No.8,154 Set by HIGHLANDER

ACROSS
1 Give incentive to back four in match (8)
5 Dally and flirt outrageously with sweetheart (6)
10 Musical produced in London theatre (5)
11 Not riding a horse without any support (9)
12 Partner obtains first class turnover from financial groups (9)
13 Ornamental shrub has to appear variegated (5)
14 Not many, they say, with hat on – it's pointless (6)
15 Major is on record in determining principle (7)
18 Oaks of the highest standard? (7)
20 Fleet meets second stretch of rough water (6)
22 That road roundabout contains key part of arterial system (5)
24 Abstained from two notes at end of chorus (9)
25 Make sport of rotten example of China (9)
26 Victor loses point for shot off the bull (5)
27 They go out on stage without an original tune (6)
28 Sets off with sail fitters on time (8)

DOWN
1 One caught in man's evil intent (6)
2 Salt worker starts to unwrap large American spider (9)
3 Plum position in railway terminal (8,7)
4 Institutional board member finds corrosion in pipe joint (7)
6 Linkage group shy off giving a general estimate (7,8)
7 Three women of destiny gang up on soccer authorities (5)
8 Design to decorate what's stuck inside cover (8)
9 Print measurement on outer layer of tier and board... (6)
16 ....or take steps to incorporate in official measure (9)
17 Get away with half unable to take off immediately (8)
19 Almost reduced charge for man of the cloth (6)
20 He removes impurities in free moving river (7)
21 Is very taken with fuss about Sunday opening (6)
23 Go by horse round middle of piggery to see hog's back (5)

Solution to Puzzle No.8,153

FLITTING WALTER
LADYBIRD BAIRNS
OSTEOPATH TRIER
MATE PRESAGE
COACHED RUTH
UTTER AFTERCARE
AIRING MANDRAKE
ELDEST TENEMENT

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WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · ITALY · JAPAN · AUSTRALIA · HONG KONG · SINGAPORE · SOUTH AFRICA

[illegible]

CANADA

TORONTO

4 pm close May 18

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close May 18

[illegible]

INDICES

NEW YORK DOW JONES · STANDARD AND POOR'S · NYSE Composite · Amex Mkt. Value · NASDAQ Composite

[illegible]

	May 14	May 7	Apr 30	year ago (approx.)
Dow Industrial Div. Yield	2.87	3.04	3.04	2.79

	May 12	May 5	Apr 28	year ago (approx.)
S & P Industrial div. yield	2.52	2.52	2.56	2.81
S & P Ind. P/E ratio	26.25	25.22	25.77	23.39

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Royal Dutch Pt	7,401,300	90⅞	- ⅛
Time Warner	5,947,800	36	+ 1½
Glaxo	4,121,000	20¼	+ ½
Merck	3,915,600	35⅞	+ 1¼
Tenneco St	3,776,900	3⅞	+ ⅛
K Mart	3,205,000	22½	- ½
Chemical Bank	2,858,900	38¼	- ½
Humana	2,677,600	10⅝	+ ⅛
Sunshine Mining	2,578,900	1¼	—
GTE Corp	2,516,200	35⅛	- ⅛

TRADING ACTIVITY

† Volume Millions	May 17	May 14	May 13
New York SE	261.482	252.141	280.858
Amex	17.092	20.509	30.582
NASDAQ	(u)	228.167	282.525
NYSE			
Issues Traded	2,533	2,469	2,529
Rises	839	866	608
Falls	1,083	998	1,408
Unchanged	611	607	514
New Highs	63	43	73
New Lows	27	13	14

CANADA

TORONTO	May 17	May 14	May 13	May 12	1993 HIGH	1993 LOW
Metals & Minerals	2858.10	2877.26	2891.49	2874.90	2972.25 (9/2)	2740.31 (21/1)
Composite	3792.50	3813.33	3801.34	3798.62	3813.33 (14/5)	3275.80 (21/1)
MONTREAL Portfolio	1877.03	1886.73	1879.38	1877.48	1890.04 (6/5)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrials plus Utilities, Financials and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

AUSTRALIA · AUSTRIA · BELGIUM · DENMARK · FINLAND · FRANCE · GERMANY · HONG KONG · IRELAND · ITALY · JAPAN · MALAYSIA · NETHERLANDS · NORWAY · PHILIPPINES · SINGAPORE · SOUTH AFRICA · SOUTH KOREA · SPAIN · SWEDEN · SWITZERLAND · TAIWAN · THAILAND · WORLD

[illegible]

					1993 HIGH	1993 LOW
WORLD M.S. Capital Intl.(1/1/70) $	553.1*	557.2	555.1	555.0	585.20 (5/5)	498.80 (13/1)
Euro Top-100 (26/6/90)	970.22	984.58	984.14	988.46	970.22 (18/5)	882.73 (13/1)

**Saturday May 15: Taiwan Weighted Price; 4,585.58, Korea Comp Ex. 705.38. ♥ Subject to official recalculation.

*Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Tuesday, May 18, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi Zosen	10.0m	593	+10	Fujikura	4.3m	997	-23
Sumitomo Mt Mn	5.1m	1,110	-10	Nippon Comsys	4.1m	1,330	-50
Ricoh	4.8m	701	+1	NEC Corp	3.9m	1,000	-30
Ishi-Har Hvy Ind	4.8m	521	+5	Kyowa Exeo	3.8m	1,270	-30
Mitsubishi Hvy	4.5m	708	-3	Nippon Steel	3.4m	392	-5

4 pm close May 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

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4 pm close May 18

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
22	15½	S Anita Rt	1.36	7.4	20	129	18½	18⅛	18⅛	
20⅜	17	SCOR US Cp	0.32	1.8	228	2100	18⅛	18⅛	18⅛	
27¼	20	SPS Techno	1.28	4.7	19	87	u27⅜	27	27¼	+⅜
14½	12⅞	Sabine Rt	1.33	9.5	10	49	14⅛	13⅞	14	
13⅛	8⅞	Safecard	0.10	0.8	16	96	12½	12⅜	12⅜	
23½	17	Safeg'd Sc			8	17	18	17⅞	17⅞	-⅛
24⅝	16¼	SafetyKln	0.36	2.0	24	581	17¾	17½	17⅝	-⅛
15⅜	10⅞	Safeway			25	1795	u15⅞	15½	15¾	+⅛
3⅜	2	SafewayW95				311	u3⅜	3¼	3⅜	+⅛
44½	37½	StJoePaper	0.20	0.5	92	12	39	39	39	
37⅝	31	StJoeLP	1.76	4.7	14	41	37¼	36⅞	37¼	+⅛
83¼	75	St Paul's	2.80	3.5	12	1140	81	79⅝	79¾	-1¼
9⅝	7⅞	Salant Cp			4	2	8½	8½	8½	
75¼	42½	Salomon	1.20	2.8	10	3133	47½	46¾	46⅞	+⅝
13⅞	13	Salomon Br	0.36	2.7		498	13⅜	13¼	13⅜	
41⅞	34⅞	Salomoninc	0.64	1.8	16	3751	35⅝	d34½	35	-⅜
26⅞	23¼	SanDgo G&E	1.48	5.9	14	553	25½	25¼	25¼	-¼
4⅜	3½	SantaFeEDu	0.40	10.7	167	17	4	3¾	3¾	-⅛
11⅞	9⅛	SantaFeERs	0.16	1.4	137	1509	11⅜	11⅛	11⅜	+⅛
40¾	35¾	SantaFePac	2.80	7.4	13	149	38	37¾	37⅞	+⅛
18	12⅜	SantaFeSth	0.10	0.6	19	7307	17⅛	16¾	16⅞	
31⅛	23⅜	Sara Lee	0.58	2.3	19	5358	25⅞	25⅛	25⅝	+⅛
47	40⅛	Scana Corp	2.74	6.1	14	260	45⅞	45⅛	45¼	-⅜
49⅝	43	Scecorp	2.80	6.0	14	1467	47	46⅝	46¾	-⅛
39⅞	23⅞	ScherePP			23	1457	27	26¼	26¼	-⅛
68½	51¾	ScheringPl	1.80	2.7	17	5881	67	65⅝	66½	+⅛
66⅞	55⅜	Sch'berger	1.20	1.8	24	4789	66	64⅞	64⅞	-1⅛
39	24⅞	Schwab(C)	0.30	1.0	14	804	31½	31	31¼	+⅛
7¾	5⅝	Schwitzer			30	16	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]										

- T -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
9½	5½	TCBY Enter	0.20	2.2	38	465	9⅛	9	9⅛	+⅛
34⅞	27¾	TCF Financ	0.75	2.5	7	680	30¾	30	30¾	-1⅛
10	8¾	TCW Conv S	0.84	8.8		349	9½	9½	9½	
36⅞	25⅝	TDK Corp A	0.41	1.2	27	90	34½	33⅞	34	-⅝
3¾	2½	T I S Mtge	0.20	7.3	1	83	2⅞	2¾	2¾	
33¼	28¾	TJX Cos x	0.50	1.6	22	2700	32	31¾	32	
19½	18⅛	TNP Enterp x	1.63	8.5	17	265	19¼	18⅞	19⅛	
68⅛	52½	TRW Inc x	1.88	3.0	18	1115	63¾	62⅞	63½	-⅛
25⅞	9⅝	T2 Medcl	0.10	0.9	6	3446	11⅝	11¼	11⅝	+⅛
24¼	17⅛	Taiwan Fd				370	20⅞	20½	20¾	-⅛
5	3⅛	Talleyind	0.42	9.7	12	65	4½	4⅜	4⅜	
9¾	6½	Talley Pf	1.00	10.7		2	9⅜	9⅜	9⅜	
65	43½	Tambrands	1.52	3.4	14	3657	45⅛	44⅝	44⅞	-⅛
16⅝	9⅞	Tandem			22	5586	13¼	12⅞	12⅞	-⅜
32⅛	24⅝	Tandy Corp	0.60	2.0	38	1728	30	29⅜	29⅝	+⅛
13⅞	12	Taurus Mun	0.78	6.4		153	12½	d12	12¼	-⅛
47⅞	40⅜	Teco Energ	1.92	4.3	17	546	45⅜	44⅛	44⅞	-1
27⅞	20⅛	Tektronix	0.60	2.4	92	827	26¼	24¾	24¾	-1⅛
3⅜	1¾	Telecom Cp			13	80	2¾	2⅝	2¾	+⅛
23	16½	Teledyne x	0.80	4.1	15	201	19¾	19½	19⅝	
34⅝	29½	TeleEspSA	1.28	3.8	6	1376	34	33⅜	33⅞	+⅛
59⅜	45⅝	Telmex ADR	0.48	1.0	11	13409	49⅜	48⅝	49	+⅛
52½	42⅞	Templeinl	1.00	2.3	17	1075	43¾	d42⅞	43	-⅛
19⅝	14⅞	TemphEmMk	0.39	2.1		118	18½	18¼	18½	
9⅛	8⅜	TempltGlob	0.72	8.2		88	8⅞	8¾	8⅞	
9	7¾	TempltGFd x	0.60	7.4		1408	8¼	8	8⅛	
51½	39⅛	Tennecoinc	1.60	3.3	27	7234	49½	48	48⅛	-1½
28¾	21¾	Teppco Ptn	2.20	8.8	12	81	25⅜	25½	25⅝	
18⅛	13	Teradyne			28	950	17⅞	17⅝	17¾	+⅛
11⅞	6⅝	Terex	0.06	0.8	1	840	7½	7	7⅜	+⅛
4⅞	3⅝	Terra Inds			10	35	4	3⅞	3⅞	
6⅝	3	Tesoro Pet			1	322	6½	6	6⅛	
[illegible]										

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
80⅝	71½	Xerox	3.00	4.1	31	7140	73¾	72¾	72⅞	-⅞
55½	51½	Xerox4.125	4.12	7.6		2	54	54	54	
106¼	62½	Xtra Corp	0.48	0.6	17	1161	82	79¾	79½	-⅞
33¼	29⅝	Yankee Egy	1.66	5.2	13	17	31⅞	31⅝	31⅞	-⅛
1¾	⅝	Zapata			125	257	d1¼	1⅛	1⅛	
8⅝	5⅞	ZenithElec			2	156	6⅝	6⅝	6⅝	+⅛
29¾	19⅝	Zenith Nat	1.00	4.2	20	201	24½	24	24	-½
7¾	6½	Zeolix Inc x	0.82	11.1		222	7⅝	7⅜	7⅜	-⅛
15	12¾	Zero Corp x	0.40	2.8	19	29	14⅝	14⅝	14⅝	-⅛
40⅛	35⅝	Zurn Ind	0.88	2.3	41	457	39	38½	38¾	-⅛
13¾	12⅝	Zweig Fund	1.12	8.8		259	12⅞	d12⅝	12⅞	
10⅝	9⅞	Zweig Totl x	0.96	9.7		1073	10	d9⅞	9⅞	-⅛

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close May 18

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							
Cal Engy		19	687	[illegible]	[illegible]	[illegible]	[illegible]
Calprop		0	10	1¼	1¼	1¼	+⅛
Can Marc	0.23	8	4	11½	11½	11½	
Chmbrs A	0.01	23	393	3½	3½	3½	-⅛
Chambers		4	16	3⅝	3⅝	3⅝	
Champion		22	142	15⅝	15	15⅝	
Chiles		2	189	4½	4¼	4½	+⅛

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							
Goldfield		18	2030	u⅝	⅝	⅝	+⅛
Greenman		14	8	4½	4½	4½	
Gulf Cda	0.34	2	1075	4⅛	4	4⅛	+⅛
Hasbro	0.34	17	1861	u35½	34⅝	35¼	+½

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							
New Line		20	119	12⅞	12½	12⅞	+⅜
NY TimesA	0.56	185	378	28	27¼	27¾	-⅛
NthCanOil	0.17	122	27	u11	10⅞	11	+⅛
Numac O&G		68	121	u6¼	5⅞	6¼	+⅜
NY Ryan		3	230	⅝	⅝	⅝	

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Odetics A		67	20	6¾	6¾	6¾	
[illegible]							
Westamer	0.56	9	33	24⅝	24¼	24¼	
WRET	1.12	22	50	15½	15¼	15½	
Worthen x	0.20	10	27	24⅝	24⅝	24⅝	+⅛
Xytronix		5	103	6⅛	5⅞	6	-⅛

NASDAQ NATIONAL MARKET

4 pm close May 18

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

Higher interest rate fears unnerve Dow

Wall Street

ANOTHER rise in bond yields combined with concerns about inflation to leave US share prices mixed-to-lower yesterday morning, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 14.40 at 3,435.53. The more broadly based Standard & Poor's 500 was 0.46 lower at 439.91, while the Amex composite was down 0.29 at 427.17, and the Nasdaq composite up 2.61 at 680.57. Trading volume on the NYSE was 149m shares by 1 pm.

The dominant concern of the markets remained inflation and interest rates. Since last week's poor consumer and producer prices data, long term bond yields have risen from 6.8 per cent to almost 7 per cent.

This rise in yields has unnerved equity investors, who fear that higher interest rates may be around the corner, primarily because the Federal Reserve may react to rising inflation by tightening monetary policy. Higher rates would hinder corporate profitability, and make equities considerably less attractive relative to other financial assets.

It was these concerns that kept blue-chip stock prices in check yesterday. They also prevented the broader market from making up any ground, although secondary stocks traded on the electronic Nasdaq market managed to post some solid gains.

The day's only economic news – a 6.7 per cent increase in April housing starts – was in line with expectations, and had little effect on the market.

Hewlett-Packard soared $5½ to $85¼ in volume of 1.7m shares after it announced stronger than expected net income of $1.38 a share for the fiscal second quarter. At the same stage a year earlier the company earned $1.27 a share.

The news from Hewlett-Packard buoyed other computer stocks. Compaq advanced $1⅝ to $55, IBM added $1⅛ at $48⅞, Motorola rose $2⅞ to $78⅛ and Digital Equipment firmed $⅝ to $46⅝.

The main indices would have been higher but for sizeable losses in selected big stocks, including Ford, down $2⅛ at $52⅞, Philip Morris, $⅝ lower at $50⅛ and Caterpillar, down $1 at $68.

Home Depot was another stock lifted by good earnings news. The retailer rose $$⅞ to $43½ in volume of 1.3m shares it reported first quarter profits of 24 cents a share, well up on the 18 cents a share earned a year ago.

Cummins Engine plunged $5⅞ to $86⅝ after brokerage house Prudential Securities lowered its rating on the stock from "buy" to "hold" following the recent release of disappointing truck orders figures.

Canada

TORONTO's upward drive in golds offset softness on Wall Street. The precious metals index rose another 132.39, or 1.6 per cent at midday to 8,376.03 as bullion passed the $370 per ounce level.

The TSE-300 index edged up 2.17 to 3794.65 in volume of 30.15m shares valued at C$290.8m. American Barrick led gold gainers, rising C$⅝ to C$28⅞.

Traders said that gold's strength helped to limit pre-Ontario budget doldrums which hung over the market in early trade.

Gold bugs throw caution to the winds

Bernard Simon on the North American expression of the gold price phenomenon

Before the latest spurt in the gold price, many North American analysts were urging investors in gold mining shares to be cautious. Handsome profits could already be taken, and the value of most companies' ore reserves less production costs did not appear to justify the heady level of share prices.

That advice has gone unheeded in the past week. The surge in the gold price to almost $370 an ounce has uncorked yet another buying binge in the stock market.

The climb in North American gold shares has far outstripped the bullion price. The Toronto Stock Exchange's gold and silver index spurted ahead by 11.5 per cent last week. At its closing level of 8,234 on Monday, the index had risen by 57 per cent so far this year, and by 67 per cent since the start of 1992.

The most popular shares have been those with the highest sensitivity to changes in the bullion price. Echo Bay Mines, whose earnings stand to climb by 50 per cent for each 10 per cent rise in the gold price, jumped C$4.25 last week to C$14.25 in exceptionally heavy trading. Homestake Mining, which has only a slightly lower leverage, has forged ahead in less than a year from US$9.63 to US$17.88 on the New York Stock Exchange.

Gold bugs have latched on to a spate of positive signals to justify their bullishness. Mr George Soros, the heavyweight New York investment fund manager, appeared to demonstrate his faith in the yellow metal last month by buying a stake in Newmont Mining from Sir James Goldsmith. The fire was then stoked by Sir James buying a big chunk of gold call options.

The bullion price has been propelled further by early signs of an upward blip in the US inflation rate, and by

Source: Datastream

reports that demand for high carat gold jewellery has risen sharply in China and India over the past 18 months.

Mr Warren Myers, an analyst at Merrill Lynch in New York, has yet to be convinced that higher inflation – the engine of four of the gold sector's five past bull markets – is imminent. But he has little doubt that technical indicators are pointing to a "genuine turnround" in the gold market.

"There must be something new brewing which, stupidly, I have not yet seen," he says. Although caution remains his watchword, Mr Myers is advising clients to hang on to such gold blue chips as American Barrick and Placer Dome.

Thanks to the industry's most extensive hedging programme, Barrick is guaranteed a price of at least $400 an ounce for its entire 1993 and 1994 output. It realised an average price of $410 an ounce in the first quarter of this year, compared to the Comex average of $330. Earnings are thus well protected against a possible reversal in the bullion price.

Other analysts see little value in current share prices. Mr Barry Allan, at Barclays de Zoete Wedd in Toronto, says it may be "a couple of years" before the bullion price reaches the levels of $400 an ounce and above now being discounted by the stock market. If the gold price does keep rising, Mr Allan worries that investors may be tempted to switch from equities to the commodity markets.

Few would be bold enough to assert that shares have reached a ceiling for the time being. But recent buyers of North American gold mining stocks will probably need a sharp eye, a hard stomach and nimble footwork to ensure a decent return on their investment.

Trading on Monday this week demonstrated that the relatively small market in gold mining shares, estimated by one analyst at $40bn to $50bn worldwide, can be as volatile coming down as going up. Although the Comex June contract lost only 30 cents to $368, Toronto's gold and silver index slipped by 1.5 per cent.

EUROPE

Zurich registers second consecutive record

THE Danish Maastricht vote was given credit yesterday for buoyancy in a number of bourses which, on examination, seemed to be climbing for reasons of their own, *writes Our Markets Staff.*

ZURICH reported institutional and options-related buying which took the SMI index up 21.7 to a second consecutive record close of 2,226.7.

Foreign investors were also active buyers on the view that the market is currently undervalued. The firmer dollar encouraged demand for chemicals issues while lower interest rates helped financials.

Roche certificates were the most activley traded issue, gaining SFr40 to SFr4,630. Sandoz registered shares found renewed demand adding SFr70 to SFr3,070.

Among financials, UBS bearers rose SFr14 to SFr967 while Zurich Insurance, expected to benefit strongly from a US economic pick-up, added SFr40 to SFr2,290. Winterthur Insurance registered shares rose SFr20 to SFr3,260 as it announced plans to convert non-voting participation certificates into registered shares and to split its resistered and bearer shares.

MADRID returned to the upgrade, the general index closing 3.93, or 1.6 per cent higher at 256.89. Turnover rose from Pta20.2bn to an estimated Pta30bn.

Interest rate sensitive stocks did well, BBV rising Pta75 to Pta3,145 among rising banks and Iberdrola by Pta23 to Pta748 in a relatively more buoyant utilities sector.

Among builders and electricals, Huarte, the subject of takeover speculation, put on Pta85 at Pta557 with more than ½m shares traded. Cristaleria gained 5.1 per cent, and Agroman 3.5 per cent.

PARIS regained some ground in technical trading after recent weakness, but interest remained subdued ahead of the Ascension day holiday. The CAC-40 index improved 10.68 to 1,846.40 after a day's high of 1,861. Turnover was strong at FFr3.8bn.

BSN went against the rising trend on plans to cut prices in an effort to retain market share for its products in Europe, where it ranks third behind Nestlé and Unilever. Some analysts commented that the group, with relatively negligible dollar exposure, was finding it very difficult to squeeze volume growth out of any of its divisions. The shares finished FFr11 weaker at FFr863.

Elf Sanofi roseFFr41 or 4.6 per cent to FFr935 as shareholders finally approved the acquisition of YSL, thereby creating the world's third largest beauty products group.

MILAN staged a broad advance as the strength of the lira again prompted hopes that the Bank of Italy would act soon to cut interest rates. The Comit index rose 4.64 to 544.19.

The market began weak but picked up later. Fiat shed L224 to fix at L6,327 before rebounding to L6,644 after hours with investors expecting the board to cut the dividend at the end of the month.

Foreign demand help Credito Italiano and BCI to extend Monday's gains. Mr Romano Prodi, appointed chairman of Iri at the weekend, is expected to expedite privatisations. Credito added L166 or 5.6 per cent to L3,093 while BCI put on L219 or 4.2 per cent L5,427.

Among telecoms, which are seeing strong foreign demand, Sip rose L19 to fix at L1,956 before L1,974 after hours while Stet, its parent company, dipped L39 to L2,960 but picked up to L3,060 on the kerb.

FRANKFURT saw a continued downward drift in bond prices as the repo rate stayed at 7.60 per cent and the DAX index ended flat, closing 0.60 higher at 1,628.48 after an opening rally to 1,636.09.

Turnover recovered from DM4.7bn to DM5.7bn. Company news included a 10 per cent drop in first quarter sales at the tyremaker, Continental, but the company said that it would try to pay a dividend in 1993 and the shares rose DM2.80 to DM198.80.

A drop in profits at Degussa, the chemicals, metals and pharmaceuticals group, left it DM4.50 lower at DM329.50. Meanwhile, the threat of a dividend cut at Altana, the chemicals and pharmaceuticals group, left the shares DM5 lower at DM535.

AMSTERDAM saw falls in Unilever, off Fl 1.80 at Fl 193.20, which reflected the BSN news and Pakhoed, down Fl 1.40 to Fl 36.60, after it forecast a sharp fall in first half 1993 profits. The CBS Tendency index closed 0.2 lower at 106.3.

STOCKHOLM was active in Volvo, which lost SKr8 to SKr400 following bigger than expected first quarter losses. However, a strong performance from Ericsson, up SKr7 to SKr313, supported the overall market as the Affärsvärlden general index ended unchanged at 1,083.2. Turnover rose to SKr1.4bn from Monday's SKr1.3bn.

HELSINKI rose by 3 per cent on hopes that the threatened strike in the country's export sector would not start today. The HEX index jumped 34.00 to 1,184.7 after a 1.2 per cent fall on Monday.

WARSAW resumed its climb after a drop on Monday, the WIG index soaring by 237.2, or 8.2 per cent to 2,748.8 in turnover of 261.7bn zloty.

ISTANBUL's slide continued with a further loss of 2.5 per cent in the 75-share index, down 205.25 at 8,024.66.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

May 18

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1154.22	1154.45	1154.13	1154.30	1154.13	1153.36	1152.98	1152.98
FT-SE Eurotrack 200	1222.97	1222.94	1221.14	1219.36	1218.54	1218.11	1219.03	1217.75

	May 17	May 14	May 13	May 12	May 11
FT-SE Eurotrack 100	1146.07	1148.21	1155.16	1148.06	1140.44
FT-SE Eurotrack 200	1214.06	1212.97	1219.59	1215.04	1206.03

Base value 1000 (26/10/90) High/day: 100 - 1154.52, 200 - 1222.73 Low/day: 100 - 1152.77 200 - 1217.20

ASIA PACIFIC

Tokyo dips 1.6 per cent on futures-led activity

Tokyo

PERSISTENT futures sales sparked unwinding of arbitrage positions in the cash market, leaving equities 1.6 per cent lower in light trading, *writes Wayne Aponte in Tokyo.*

The Nikkei average was down 336.12 at 20,229.39, after moving between a low of 20,155.10 and high of 20,502.46. The Topix index of all first section stocks lost 21.97 at 1,589.28, but in London the ISE/Nikkei 50 index was 0.35 firmer at 1,223.69.

First section volume came to 370m shares, up from Monday's 328m, while declines overwhelmed advances by 907 to 163, with 106 issues unchanged.

Brokers said that, from the outset of trading, no major buyers were present in the market. Without buy orders from government-managed public funds, known to serve normally as a cushion for the Nikkei average on dips, equity prices might have declined further, brokers added.

Increased futures activity is expected as investors attempt to protect themselves against further Nikkei declines in a market which provides scant incentives for inward investment.

However, said brokers, many institutional investors, including life insurance companies, brokerages and Japanese corporations, were likely to enter the stock market more aggressively if the Nikkei trades below 20,000.

An analyst at a UK stockbroker commented that investors are reacting favourably to any positive developments in sectors or individual issues.

In spite of the day's declines, shipbuilding shares rose on a report about a major conference among Asian countries concerning tanker safety, which implied that new ships might be bought in the future. Equally, news of an increase in the percentage of dollar denominated contracts, which will help domestic operators in international bids, aided the sector.

Mitsui Engineering and Shipbuilding rose Y4 to Y452, Hitachi Zosen Y10 to Y583 and Sasebo Heavy Y10 to Y558.

Profit-taking cut the gains of Nippon Telegraph and Telephone, which relinquished Y22,000 to Y975,000. The weakness of that telecommunication group spread to electrical wire and cable issues. Sumitomo Electric Industries declined Y50 to Y1,130, Fujikura Y23 to Y997 and Furukawa Electric Y24 to Y687.

Consumer electrical issues lost ground, Pioneer Electronic weakening Y160 to Y2,400, Sony Y70 to Y4,650 and TDK Y60 to Y3,840.

The brokerage sector declined by about 2 per cent, Nomura slipping Y50 to Y2,110, Daiwa Y50 to Y1,260 and Nikko Y20 to Y1,040.

In Osaka, the OSE average ended 275.76 lower at 22,552.98 in volume of 17m shares.

Roundup

THERE WERE fresh record highs in Hong Kong and Singapore. New Zealand was closed owing to technical problems.

HONG KONG hit its new peak on optimism over Sino-British talks; negotiators from both sides are due to meet in Beijing on Friday for a further round of consultations. The Hang Seng index closed 25.18 higher at 7,149.39. Turnover was also a record – HK$8.1bn against Monday's HK$7.7bn.

Performance of blue chips varied, brokers said. Cheung Kong was targeted by profit-takers and shed 40 cents to HK$27.20. The most active stock, Hutchison Whampoa, dipped 10 cents to HK$19.90.

Market laggards such as China Light benefited from bargain hunting and the stock improved 50 cents to HK$39.

SINGAPORE rebounded strongly from Monday's profit-taking as the Straits Times Industrial index peaked 31.74 higher at 1,878.01 in volume of 365.6m shares.

Brokers said demand for speculative Malaysian and second and third line Singapore stocks was strong.

TAIWAN recovered from Monday's losses, with strong performances noted from Formosa Plastics, up T$1.10 at T$44.20, and China Steel, which appreciated 80 cents to T$21.90. The weighted index improved 35.28 to 4,495.39. Turnover amounted to T$23bn, against a previous T$23.9bn.

MANILA lost ground after opening higher with the aid of firm mining issues. The composite index dipped 19.90 to 1,596.14 in turnover down to 398m pesos from 555m.

Philippine Long Distance Telephone receded 20 pesos to 970 pesos.

AUSTRALIA fell at the close as investors reacted to weakness in the Australian dollar against the US currency. The All Ordinaries index shed 9.0 to 1,677.9 in turnover of A$307.3m.

In the banking sector, ANZ was steady at A$3.55 after selling its 7 per cent stake in Challenge Bank for A$2.48 a share.

BANGKOK was lower following heavy losses among building materials companies. The SET index fell 8.62 to 872.96 in moderate turnover of Bt3.1bn.

SOUTH AFRICA

GOLDS drifted lower as bullion prices held steady, showing no inclination to test the $370 an ounce level. The golds index retreated 46 to 1,604 but industrials rose 27 to 4,470. The overall index was 19 down at 3,873.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — MONDAY MAY 17 1993

Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield
Australia (68)	135.64	−0.7	131.18	95.56	113.86	128.34	−0.8	3.85
Austria (18)	144.10	+0.6	139.36	101.52	121.07	120.35	+0.5	1.70
Belgium (42)	147.16	−0.5	142.32	103.66	123.63	120.30	+0.0	4.71
Canada (109)	126.47	−0.6	122.31	89.09	106.24	116.81	−0.5	2.83
Denmark (33)	220.75	−1.4	213.49	155.52	185.46	186.30	−0.9	1.21
Finland (23)	91.44	−1.3	88.43	64.42	76.82	106.74	−1.3	1.15
France (98)	151.74	−1.4	146.75	106.89	127.47	129.48	−0.8	3.47
Germany (62)	111.25	−1.3	107.59	78.38	93.46	93.46	−0.5	2.26
Hong Kong (55)	288.54	+1.5	279.05	203.27	242.43	286.36	+1.5	3.22
Ireland (15)	161.39	−0.3	156.08	113.70	135.59	150.40	+0.1	3.52
Italy (73)	69.47	−0.2	67.19	48.94	58.37	76.71	+0.3	2.57
Japan (470)	143.06	−0.1	138.35	100.78	120.20	100.78	+0.4	0.83
Malaysia (69)	332.53	+0.5	321.59	234.25	279.37	328.81	+0.4	2.05
Mexico (18)	1477.55	+0.4	1428.97	1040.93	1241.37	5052.41	+0.4	1.34
Netherland (24)	165.79	−1.3	160.34	116.80	139.29	137.03	−0.6	4.04
New Zealand (13)	47.44	+0.8	45.88	33.42	39.86	46.41	+0.8	4.74
Norway (22)	159.65	−0.4	154.40	112.48	134.14	148.33	+0.0	1.78
Singapore (38)	248.91	−0.4	240.73	175.36	209.12	185.13	−0.5	1.85
South Africa (60)	191.20	−0.3	184.91	134.69	160.63	195.37	−0.5	2.58
Spain (46)	128.80	−1.3	124.57	90.74	108.21	120.07	−0.6	4.97
Sweden (36)	178.10	−0.1	172.24	125.47	149.63	193.85	+0.0	1.74
Switzerland (55)	121.20	−0.4	117.21	85.39	101.84	110.45	+0.9	1.97
United Kingdom (218)	177.73	+0.0	171.88	125.20	149.31	171.88	+0.4	3.99
USA (519)	179.91	+0.2	173.99	126.75	151.16	179.91	+0.2	2.84
Europe (765)	144.70	−0.6	139.94	101.94	121.57	132.39	+0.0	3.36
Nordic (114)	167.06	−0.6	161.56	117.69	140.36	160.32	−0.4	1.56
Pacific Basin (713)	147.12	−0.1	142.28	103.65	123.60	107.16	+0.4	1.11
Euro-Pacific (1478)	146.01	−0.3	141.21	102.85	122.66	118.02	+0.2	2.02
North America (628)	176.57	+0.2	170.77	124.41	148.37	175.61	+0.2	2.84
Europe Ex. UK (547)	124.42	−1.0	120.33	87.67	104.56	110.28	−0.2	2.93
Pacific Ex. Japan (243)	187.31	+0.5	181.15	131.98	157.39	171.05	+0.4	3.18
World Ex. US (1665)	146.61	−0.3	141.78	103.29	123.18	120.07	+0.2	2.05
World Ex. UK (1966)	154.77	−0.1	149.68	109.04	130.04	135.23	+0.2	2.18
World Ex. So. Af. (2124)	156.66	−0.1	151.50	110.37	131.63	138.09	+0.2	2.35
World Ex. Japan (1714)	165.88	−0.1	160.43	116.87	139.39	159.43	+0.1	3.02
The World Index (2184)	156.79	−0.1	151.63	110.46	131.73	138.58	+0.2	2.35

FRIDAY MAY 14 1993 / DOLLAR INDEX

Figures in parentheses show number of lines of stock	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	136.61	131.65	95.77	113.78	129.39	144.19	117.39	151.63
Austria (18)	143.21	138.00	100.39	119.27	119.73	150.96	131.16	171.15
Belgium (42)	147.86	142.49	103.65	123.15	120.33	156.76	131.19	144.81
Canada (109)	127.23	122.61	89.19	105.96	117.42	127.86	111.41	127.41
Denmark (33)	223.89	215.75	156.95	186.47	188.03	225.64	185.11	242.47
Finland (23)	92.61	89.24	64.92	77.13	108.11	100.43	65.50	80.27
France (98)	153.87	148.28	107.86	128.15	130.46	167.36	142.72	168.75
Germany (62)	112.77	108.67	79.06	93.92	93.92	117.10	101.59	122.99
Hong Kong (55)	284.21	273.88	199.23	236.72	282.02	288.54	218.82	234.27
Ireland (15)	161.81	155.93	113.43	134.77	150.25	170.40	129.28	163.00
Italy (73)	69.61	67.08	48.80	57.98	76.47	70.58	53.78	69.45
Japan (470)	143.23	138.03	100.41	119.31	100.41	146.85	100.75	104.59
Malaysia (69)	330.99	318.97	232.02	275.67	327.36	332.53	251.66	237.28
Mexico (18)	1471.03	1417.57	1031.22	1225.18	5032.51	1725.81	1410.30	1604.50
Netherland (24)	168.04	161.93	117.80	139.96	137.82	172.75	150.39	159.73
New Zealand (13)	47.07	45.36	33.00	39.20	46.04	49.32	40.56	46.49
Norway (22)	160.30	154.47	112.37	133.51	148.33	166.21	137.71	190.90
Singapore (38)	249.93	240.84	175.20	208.16	186.12	249.93	207.04	216.70
South Africa (60)	191.83	184.86	134.47	159.77	196.44	191.83	144.72	249.44
Spain (46)	130.53	125.79	91.51	108.72	120.74	132.82	115.23	160.85
Sweden (36)	178.35	171.87	125.03	148.55	193.87	178.35	149.70	199.68
Switzerland (55)	121.70	117.28	85.32	101.38	109.44	123.58	108.91	107.27
United Kingdom (218)	177.66	171.20	124.53	147.95	171.20	181.99	162.00	199.91
USA (519)	179.55	173.03	125.88	149.55	179.55	186.27	175.38	168.28
Europe (765)	145.53	140.24	102.02	121.21	132.37	149.02	133.92	156.64
Nordic (114)	168.04	161.93	117.80	139.96	160.91	169.44	142.13	184.59
Pacific Basin (713)	147.20	141.85	103.19	122.60	106.76	150.03	105.89	110.48
Euro-Pacific (1478)	146.39	141.07	102.62	121.92	117.75	148.94	117.26	129.16
North America (628)	176.29	169.88	123.59	146.85	175.32	182.38	171.51	165.71
Europe Ex. UK (547)	125.66	121.10	88.11	104.69	110.55	126.65	112.51	131.00
Pacific Ex. Japan (243)	186.44	179.66	130.72	155.30	170.32	187.31	152.70	168.55
World Ex. US (1665)	147.00	141.66	103.06	122.44	119.83	149.39	118.51	131.38
World Ex. UK (1966)	154.93	149.30	108.61	129.05	134.99	157.19	134.22	137.46
World Ex. So. Af. (2124)	156.79	151.10	109.93	130.60	137.81	158.98	137.29	142.12
World Ex. Japan (1714)	166.01	159.98	116.39	138.29	159.24	168.09	157.47	164.32
The World Index (2184)	156.93	151.23	110.01	130.71	138.31	159.07	137.32	142.83

Constituent name change: Sungei Besi Mines to Kelanamas Inds. Bhd. (Malaysia).Norwegian market closed 17/5.